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A. J. Utley

BIMETALLISM

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BIMETALLISM

......BY......

Andrew Jackson
A. J. UTLEY

Author of "Free Coinage," "Financial Catechism," "Cause of Hard Times," etc., etc.

LOS ANGELES
FISK & HORNBECK
PRINTERS
1899

From the
Quarterly Journal
of Economics.

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PREFACE

A discussion of the question of Bimetallism necessarily embraces, to some extent at least, the larger question of money. The money question is of almost infinite importance, and there is great diversity of opinion as to the essential elements of money. Alexander Del Mar, in the closing paragraph of his History of Money in Ancient Countries says: "That which has engaged the attention without harmonizing the convictions of such master minds as Aristotle, Plato, Tycho Brahe, Copernicus, Locke, Newton, Smith, Mill and Spencer is surely a study which no man can afford to approach with rashness, nor leave with complacency. When the principles which underlie it are thoroughly understood, money is perhaps the mightiest engine to which man can lend his guidance; unheard, unfelt, almost unseen, it has the power to so distribute the burdens, gratifications and opportunities of life that each individual shall enjoy that share of them to which his merit entitles him, or to dispense them with so partial a hand as to violate every principle of justice and perpetu-

ate a succession of social slaveries to the end of time."

I do not expect that all who read the following pages will agree with me in my conclusions, but I think all will admit that the money question is "A study which no man can afford to approach with rashness, nor leave with complacency."

All I ask is that he examine the authorities cited and the reasons adduced in support of the conclusions reached. If the authorities do not justify the premises, if the reasoning is falacious, if the conclusions are not warranted by the evidence, of course they should be rejected. But, if the premises are reasonable, are sustained by authority, the reasoning logical and the conclusions warranted, and if the reader has previously entertained opinions at variance with such conclusions, I think I have the right to expect that he will make further investigations, and that he will not accept the party platform of any political party as infallible. And if, on further investigation, he shall discover the truth, I think I have a right to expect that he will fearlessly proclaim it and follow wherever it may lead. A. J. UTLEY.

Los Angeles, Cal., December, 1899.

CHAPTER I.

HISTORY OF THE PRECIOUS METALS.

SEC. 1. A careful study of the history of the precious metals will conclusively show the effects of a plentiful as contrasted with a limited supply of money, and the consequences resulting from expanding or contracting the volume of money. It will establish beyond controversy the fact that money is quantitative, that its value, as measured by commodities, (and money has no other value) other things remaining the same, will fall, as its quantity is increased, and will rise as its quantity is diminished, and also the further fact that with an increasing volume of money times will be good, business prosperous, and the people contented and happy; while on the other hand with a contracting volume of money industry will languish, willing workers will be relegated to idleness, tramps will be multiplied, poverty and misery, crime, suicide, and insanity will be largely increased, and money will retire from circulation, or will be hoarded, or collected in the great money centers.

SEC. 2. The above facts are very cleary and forcibly illustrated by that distinguished economist and historian, Alexander Del Mar, in his "History of the Precious Metals," published by George Bell & Sons, in London, in 1880. I quote from this publication a Table showing

population, and the per capita circulation of money in the Western World for the several periods intervening between 1493 and 1879, compiled from estimates made by trustworthy statisticians. In connection with this table, I also quote from Del Mar's comments on the facts shown by the table a brief resumé of the effects, morally, socially, and politically, claimed by Del Mar to have been produced by the contractions and expansions of the volume of money that had taken place. Without doubt, Del Mar's conclusions are correct. There certainly can be no doubt of the fact that the periods of progress and development were coincident with an increasing (per capita) volume of money, while on the contrary, periods of arrested development, depression in business; when civilization stood still or went backwards, were coincident with a contracting volume of money. (See "History of Precious Metals," pp. 203-205).

SEC. 3. "*Table showing the estimated stock of Gold and Silver Coins and the Population of the European World from time to time since the Discovery of America.*"

Period A. D.	Authority for Population	Population	Authority for Stock of Coin	Stock of Coin	Stock per Capita £	s	d
1492	Estimate	40,000,000	Jacob	£34,000,000	0	16	0
1636	Estimate	80,000,000	Estimate	240,000,000	3	0	0
1690	Petty-Jacob	85,000,000	Jacob	250,000,000	3	0	0
1700	Voltaire	90,000,000	Jacob	297,000,000	3	6	0
1776	Voltaire	110,000,000	Jacob	275,000,000	2	8	0
1808	Humboldt	200,000,000	Jacob	380,000,000	1	18	0
1828	Balbi	240,000,000	Jacob	313,000,000	1	6	0
1838	Humboldt	260,000,000	Estimate	270,000,000	1	0	0
1839	MacCulloch	265,000,000	Storch	284,000,000	1	0	0
1850	Putnam	300,000,000	Mac Cul'ch	400,000,000	1	7	0
1860	Sta. Journal	330,000,000	Estimate	560,000,000	1	14	0
1870	Behm& Wag	370,000,000	Seyd	720,000,000	1	18	0
1877	Behm& Wag	400,000,090	Estimate	700,000,000	1	15	0
1879	Estimate	410,000,000	Estimate	650,000,000	1	12	0

SEC. 4. Del Mar commenting on the facts shown by the tables says:

"The fact that the stock of coin in 1776 is put at less than that in 1700 may lead to doubt of its correctness; but it seems to be well authenticated that until the development of the great silver lodes of Biscaina, Sombrerete, and Valenciana, in Mexico, towards the end of the last century, the supplies of the precious metals were not only inadequate to the demands of commerce, but that the stock of coin in Europe and America absolutely declined. The falling-off of the stock from 1808 to 1839 has been admitted by Humboldt, Jacob, MacCulloch, Tooke, and other writers on the subject.

"Referring now to the general and comparative aspects of the foregoing table, it will be observed that at the period of the discovery of America the Western World started with a stock of coin amounting to about 16s. per head of population, and that this proportion continued to increase until the opening of the eighteenth century, when it amounted to £3 6s. per capita.

"During this period, discovery and commercial adventure were stimulated to the extremest limits. The seas and bays of the entire world were explored, commerce was extended into the Americas, Africa, India, China, Japan, and the islands of the South Sea, and colonies were founded all over the world.

"The social organism was stimulated into the greatest activity. This was the period of the Revolution, Habeas Corpus Act, and Bill of Rights, in England; of the numerous risings of the peasantry, the Edict of Nantes and the Fronde in France; of the Republic in the Netherland; of the Protest and Thirty Years' War in Germany; and of the Reformation throughout Western Europe generally.

"After this period the stock of coin diminished from £3 6s. per capita in 1700 to £2 8s. per capita in 1779, £1 18s. per capita in 1808, £1 6s. per capita in 1828, and £1 per capita in 1838. It is noticeable that coincidently with the fall of the stock of coins the Western World exhibited all the marks of arrested development and social perturbation.

"This was the period during which all the great national debts arose; when France, England, Russia, Germany, the Papal States, the American Colonies, the United States, Brazil, and many other countries, suspended specie payments, and when Europe and America were almost constantly shaken with insurrections and wars. * * * * * * * *

"Before the eighteenth century the stock of coin and of money was the same, for there was little circulating paper in Europe beyond the confines of the Italian republics. After the beginning of the eighteenth century the stock of coin was not the same as the stock of money, but only the basis of it. At that time the Bank of England began to issue circulating notes, and this example was soon followed by other institutions. * * * * *

"Of the stock of coin estimated to have been in existence in 1870 about one-third consisted of silver. The demonetizations of this metal which since that date have been effected in several of the leading countries of the world, have resulted in reducing the general stock of coin, which, at the present time [1880], is something below the amount in 1877. The progress of the demonetization of silver threatens to reduce this stock still further, and the present tendency is therefore toward a smaller stock of specie in the European World."

The comparative yield of the great gold fields of the modern world are estimated by our best statisticians as follows:

COUNTRY	Period during which the product was not generally less than £1,000,000 a year.	Total product of Gold from beginning to end	Same in Dollars
Japan...........	1580 to 1639—60 years	£ 40,000,000	$ 200,000,000
Brazil...........	1710 to 1789—80 years	180,000,000	900,000,000
Russia...........	1840 to 1878—39 years	160,000,000	800,000,000
California......	1848 to 1878—31 years	220,000,000	1 100,000,000
Australia........	1851 to 1878—28 years	240,000,000	1 200,000,000
	Total................	840,000,000	4 200,000,000

(See Del Mar's History of Precious Metals p. 172).

SEC. 6. The coinage value of the world's production of the precious metals since the discovery of America has been carefully estimated by many very eminent statisticians, a few of the most illustrious of whom I will quote:

SEC. 7. Baron Von Humboldt estimates the gold and silver produced in America from 1492 to 1800. as follows:

Gold..	£393,120,000
Silver..	745,260,000
Total..................................	£1,138,380,000

SEC. 8. Jacobs, in his "History of the Precious Metals," estimates the world's production from 1492 to 1809 at £1,360,000,000; amount produced outside of America at £137,000,000; American production £1,223,600,000.

SEC. 9. Jacob estimates consumption as follows:

Exported to Asia	£399,000,000
Consumed in Arts and Manufactures	440,000,000
Loss by abrasion and Casualty	175,000,000
Coinage for Europe and America	346,600,000
To which add £33,400,000 stock on hand in 1492	33,400,000
Gives a total money volume for 1808 of	£380,000,000

Equals $1,900,000,000 as the Western World's stock of coins in 1809.

SEC. 10. Mr. Danson in an article published in the London *Statistical Journal*, estimates the production for America from 1492 to 1803 at £1,122,000,000. Deducting from this £25,600,000 for the production for 1801 to 1803, and we have as the production prior to 1801, £1,096,400,000.

SEC. 11. These several estimates made by eminent statisticians are very close together and unquestionably approximate very nearly the actual production of the precious metals in America prior to 1801.

SEC. 12. Estimates have been made of the production of gold and silver in America, Europe, Africa and Australia since the commencement of the present century, up to and including 1877, by Humboldt, Raynal, Duport, Brogniart, Ward, Jacob, Danson, Tooke, Birkmyre, MacCulloch, Sir Hector Hay, Blake, Del Mar, Soetbeer, Sauerbeck, and in various official reports and statistical journals; some of the estimates, however, only cover a part of the time, but they substantially agree that the production of silver within that time amounted to about £548,000,000 ($2,740,000,000) and that of gold to about £796,000,000 ($3,980,000,000).

SEC. 13. Prior to the middle of the present century the gold and silver mines of the world were worked almost exclusively by slave labor. The kings of Egypt not only condemned criminals and those accused of crime to perpetual slavery in the mines, but also their relatives and personal friends. The Romans for a long time worked the silver mines of Spain with slaves and the average daily production was only about 5¾d. per man, which could not much more than have covered incidental expenses. The wars between Carthage and Rome were mainly for the possession of the silver mines of Spain. The expeditions of Hannibal and Hamilcar in Spain, of Cæsar in Gaul, of Cortez in Mexico, of Pizarro in Peru, were all undertaken with the object of acquiring the precious metals. (See Del Mar's "History of the Precious Metals," pp. 14 to 27).

SEC. 14. During the reign of Philip IV., 1621-55, while there was a large amount of silver bullion in Spain, there was but very little silver money. At that time Spain levied a tax of 20 per cent. on the production of silver, 5 per cent. convoy duty and 5 per cent. seignorage on coining. There were many other onerous charges. Many of the wealthy Spaniards on receiving remittances of silver bullion from America, instead of having it coined into money had it converted into plate and stored it in vaults or other safe places for future use.

SEC. 15. Madam d' Aunoy, who wrote in the reign of Philip IV., states that the Duke of Albuquerque possessed 1,400 dozen dinner plates, fifty great salvers and 700 dishes of exceedingly massive silver; while the Duke of Alva, who was rather poorly supplied, as things then stood, had 600 dozen plates and 800 dishes.

The Duc de Saint Simon (who wrote during the early part of the eighteenth century) mentions that the palace

of the Duke of Albuquerque was furnished with suites of splendid furniture of which the frame work, instead of being of wood, was of massive silver. Del Mar, in commenting on the above facts in his "Money and Civilization" (page 99), and on the disappointment of Philip at the failure of the wealthy Spanish nobility to bring their silver bullion to the mint, says:

"He forgot that it was not the interest of the wealthy classes to promote a rise of prices. They had seen enough of that in England, where the consequences had been a renunciation of the Catholic faith, the execution of the king, and the establishment of a Puritan commonwealth. What the Spanish grandees wanted was not rising prices, but falling ones, and so, instead of sending their bullion to the mint, they continued to pile it up in their vaults, awaiting the inevitable hour when, from increasing scarcity, each ounce of it, when coined into money would purchase twice as much of commodities as before."

CHAPTER II.

COST OF THE PRECIOUS METALS.

SEC. 16. Jacob, in his "History of the Precious Metals," says that from the dissolution of the Western Empire until the discovery of America the precious metals were sought not by exploring the bowels of the earth but by the more summary process of conquest, tribute and plunder. Del Mar thinks that the same principles obtained until the discovery of the mines of California and Australia, and that practically there was no free mining of the precious metals prior to that time, and that economic maxims based on the production of the precious metals prior to 1848 are of but very little value.

SEC. 17. Some economists have contended that the value of the precious metals was determined by the cost of their production. Adam Smith, in the "Wealth of Nations," (page 138) contends that the price of the precious metals all over the world is determined by their price at the most fertile mines. John Stuart Mill follows Adam Smith, but says that the production to have that effect must be in a state of freedom. Mill, however, in other parts of his "Principles of Political Economy," repeatedly says that the value of money is determined by its quantity, and that as the quantity is increased, other things remaining the same, its value will diminish and as its volume is diminished its value will increase, and as this proposition is directly at variance with the

other, and as the last proposition is sustained both by history and well recognized economic principles, and the former proposition is contradicted by facts as well as reason, we must accept the second proposition as being true and reject the former.

SEC. 18. While it is true of commodities (such for example as manufactured articles, which may be produced in unlimited quantity), that their value depends largely on the cost of their production; and while to a less extent it is also true of agricultural products, it is not true of the precious metals. Commodities, the value of which is largely controlled by the cost of production, are almost immediately consumed or wasted and when wanted again must be reproduced. This is not true of the precious metals; they survive the date of their acquisition. Much of the stock now on hand we have acquired by inheritance from ages long past. They were produced by slave labor or acquired by conquest or plunder. The cost of their production was not controlled by any economical principle, and the gold and silver now produced under free labor enter into and become a part of the general stock and their value is modified by the value of that produced in ages long since past, as the value of that so produced is modified by the present production.

SEC. 19. Under circumstances of entire freedom in the laws concerning the production and coinage of the precious metals, and supposing, like manufactured commodities, they could always be obtained by labor devoted to mining, and supposing, also, that there was no accumulated stock to influence the question, and no law creating artificial demands for these metals, or for either of them, the cost of production would undoubtedly have an important bearing upon their value; as the case stands, however, the cost of production has so little to do

with the matter that for all practical purposes it need not be considered at all.

SEC. 20. Mr. Lewis Garnett, formerly manager of the San Francisoco Refining Works, in a pamphlet published in 1869, says that the labor alone employed in the production of gold in California at that time [1869] cost more than two dollars for every dollar's worth of gold produced, to say nothing about the expensive machinery used, salaries of officers, etc.

SEC. 21. Del Mar, from estimates carefully made from facts obtained from personal inspection of all the mines of importance in California, estimates the expense of the gold production from 1848 to 1856, both inclusive, as follows: (See "History of the Precious Metals," page 262).

Year	Workers	Local price of each man's labor per day	Value of their combined labor for the year of 300 days	Product of gold, mint value
1848	5,000	£3 0s. 0d.	£ 4,500,000	£ 2,000,000
1849	22,500	3 0 0	20,250,000	8,000,000
1850	115,000	2 8 0	82,800,000	10,000.000
1851	120,000	2 0 0	72,000,000	11,000,000
1852	130,000	1 12 0	62,400,000	12,000,000
1853	140,000	1 8 0	67,200,000	13,000,000
1854	150,000	1 4 0	54,000,000	12,000,000
1855	160,000	1 0 0	48,000,000	11,000,000
1856	150,000	16 0	36,000,000	11,000,000
			447,150,000	90,000,000

SEC. 22. From the above table it will be seen that even in the flush times of California mining, gold was produced on the average at a loss, saying nothing about the great destruction of the forests and injury done to the land.

A carefully prepared estimate of the cost of the production of gold in Australia makes about the same showing.

SEC. 23. That certain adventures afford enormous profits there is no doubt, but many more are operated at

a loss. Del Mar's "History of the Precious Metals," page 290, refers to two hydraulic companies, one of which, employing ten men at 16 shillings per day each, and 200 inches or 4,000 gallons of water, washed down 224,000 cubic feet of earth in six days, and though there was obtained from it only £600 in gold (about five-eighths of a penny to the cubic foot,) £470 of it was profit. The other company referred to used "2,000 inches or 40,000 gallons of water for 100 days, and washed down 1,000,000 cubic yards of gravel (containing less than a quarter of a penny to the cubic foot), and obtained £6,400, of which £2,400 was profit. The cube of earth washed down was 1,100 feet long, 300 feet wide, and 80 feet deep."

SEC. 24. Mr. Burchard (formerly Director of the Mint), in his essay on the cost of the production of gold and silver, takes certain selected mines and estimates the cost of production for a single year and assumes this to be the average cost of production. Mr. Burchard knew better. His conclusions are misleading and untrue. The cost of producing gold or silver cannot be determined from one year's experience of certain selected mines; but only "From the average cost of the total production from all of the mines during a reasonably long period of time;" and to this should be added the cost of prospecting, sinking useless and abandoned shafts, and various other incidental expenses incurred in locating mines whether productive or otherwise. Neither is it true as contended by certain *pseudo* economists that as the value of the precious metals fell it would result in closing all but the richest mines. Mines are not abandoned or closed when they cease to be profitable. If abandoned by one set of operators they are seized upon and operated by other men in the hope that they may be more successful than

the former proprietors, and that they will reach the great bonanza which they are confident lies hidden in the rocks almost within reach. It is the gambling instinct of man that provokes the hazard.

SEC. 25. Mr. Garnett in the essay hereinbefore quoted from is unquestionably correct when he says:

"The fact is, that the production of the precious metals has always been one of those fascinating pursuits which the love of venture as well as adventure inherent in man, seems to create, and which the romantic and exciting vicissitudes in individual fortunes, to which it not infrequently gives rise, continues to excite and sustain; and such seems to have been pretty much the case at all times and in all countries."

SEC. 26. That the additions to the present stock of the precious metals produced today under free labor must go into the common mass, and that its value is necessarily influenced by the precious metals obtained by the ravages of Cæser in Gaul, of Scipio in Spain, of Alexander, of Darius, and by the plunders and robberies of Cortez and Pizarro in Mexico and South America, there can be no doubt; and that it is the quantity of the precious metals, no matter how or at what cost acquired, now in use as money, modified by the paper, token and other fiduciary money, that determines the value or purchasing power of money, is a fact universally admitted by all well informed men. A nugget of gold picked up by a hunter in the woods that cost no labor, has precisely the same value as an equal amount of gold obtained by the miner from the bowels of the earth at immense cost and labor. The cost of the production of the precious metals has absolutely no influence upon their value only as it may tend to increase or diminish the supply. As the supply, in proportion to the demand, increases, the value falls, and as the supply in proportion to the demand diminishes, the value rises.

CHAPTER III.

RATIO BETWEEN THE METALS.

SEC. 27. That the ratio between the relative values of the precious metals in their use as money is purely an arbitrary one established and maintained by law; that the ratio between them has been repeatedly changed by lowering or raising the relative value of first one and then the other by legal enactment or arbitrary decree; and that the annual production of either of the metals, nor the accumulated stock of either, as money, or as bullion, or in hoards, or as all combined; nor the past, present, or prospective cost of either of them, exerts no influence whatever over their relative value is a fact well authenticated by history.

SEC. 28. Alexander Del Mar, in his "History of the Precious Metals," page 230, says:

"Supposing that the combined nations of Europe and America decreed and remained steadfast to the decree that the ratio of gold and silver should thenceforth be as 1 to 1, it is difficult to conceive how this ratio could ever be changed, either by the operation of quantity, mint charges, or any other influence. Relative demand of the precious metals for arts could not change it, for even supposing that everybody preferred gold plate to silver—a preference which under such circumstances cannot be admitted—this would not change the ratio. As no atom of gold could become money again, except at a par with silver, it is impossible to imagine that any scarcity of the one metal, or plentifulness of the other, could impair their equal value. It would not matter, if, other things aside, gold

were preferable to silver for use in the arts or not. The law of nations, making them, when coined, equal as money, and all contracts dischargeable, all debts payable in the same weight of one as the other; and a conversion of both, from coin to bullion, and from bullion to coin, being unlimited, and subject to the same terms of seigniorage, it necessarily follows that their value would be the same. Nor could the vicissitudes of production effect a change in the ratio. Though but a pound of gold a year were produced against millions of pounds of silver, still would the ratio remain unchanged. Nobody would pay more than a pound of silver for a pound of gold, when the former could discharge the same amount of indebtedness, past, present and future. Nor would the demands of commerce change it. If debts were due from one country to another, the shipment of one metal would answer all the purposes which could be subserved by a shipment of the other, seeing that both metals, when coined would be equally legal tender in all countries and that coinage everywhere would be unlimited, and subject to the same charges for both metals. Nor would the condition of the stock on hand alter the ratio. Although this stock consisted nearly entirely of silver, and very little of gold, still would a pound of silver always buy a pound of gold, so long as the universal law rendered the one equally as effective as the other in the payment of debts. The market and the legal prices would always be the same."

SEC. 29. Del Mar in his "Money and Civilization," published in London in 1888 (page 104), after discussing the demonetization of silver by Prussia and its probable effect on the value cf silver says:

" Had France and the United States not also closed their mints to silver, even this action of Prussia would apparently have had no effect upon its value; but France, out of hatred for her victorious enemy, unwisely refused to coin its rejected silver, and this proceeding was rendered effective by the clandestine alteration of the mint statutes of the United States."

SEC. 30. I also quote from the same book, page 129, the following:

"At the beginning of the century [sixteenth century] the ratio of the precious metals in the coinages of Spain was 13⅓ for 1, and

owing to the fact that Spain was then the principal coining nation of the world, she was able to determine the ratio for all other nations. In other words, 13⅓ had become the 'merket' rate for the commercial world, because it had previously been made the legal rate in the foremost coining country of the time. This position it was soon for Portugal to assume. The Spaniards had found no great placer fields in New Spain; the Portuguese found one in Brazil; and as gold in placers is much more easily obtained, and a greater number of people can be worked together upon it at once than upon mines of silver, a vast supply of the more precious metal soon made its way to Portugal. Flushed with this great and sudden wealth, and confident that in a contest between rapidly producing gold placers and and slowly producing silver mines the influence of the former would prevail, Portugal in 1688 determined upon the bold stroke of coining its gold at 1 to 16 in silver, and thus compelling those Spaniards who preferred the more precious metal to pay nearly 15 per cent. more for it than the value they had fixed upon it in their own coinages. Such was the force of this measure, that two years later the Spaniards were fain to adopt the Portuguese ratio, and thus relinquish one-seventh of the exchange value of the metal which now formed the main portion of the American product. This example is only one of many which history affords to prove that the ratio between the metals is not all influenced by their relative production, but altogether by law—not the law of weak nations, but the law of strong ones. It will be found that whenever the ratio has been changed by such nation, they enhanced the value, not of the scarcer, but of the more plentiful metal; in other words, of that metal over the production or coinage of which they themselves possessed the control." (See also Encyclopædia Brittanica, vol. 22, p. 73, also Money and Civilization, pp. 217, 218.)

SEC. 31. It has been claimed, and even now is asserted, by some of the advocates of the gold standard, that the tendency has been ever since the Christian Era for silver to depreciate in value as measured by gold. This is not true; on the contrary sometimes one of the metals has been raised ln value, and sometimes the other, but whenever changes have occurred, they have been brought about by legal enactment.

SEC. 32. Although I have already quoted extensively from Del Mar, I cannot refrain from making one more quotation from his "Money and Civilization," page 217, in regard to these reckless, unwarranted, and *untruthful* statements. He says:

> "The men who make such reckless assertions are the men who have caused all the present trouble about silver. They are CONCEITED PROFESSORS OF A PRETENDED POLITICAL ECONOMY, CHARLATANS, WHO TEACH EVERYTHING AND LEARN NOTHING, IMPOSTORS WHO THRIVE UPON THE CREDULITY AND INDIFFERENCE OF A WORLD TOO BUSY IN EARNING MONEY TO STUDY THE SCIENCE OF ITS HISTORY. It was the poverty of Spain in 1688 and the ignorance of Germany in 1870 that lowered the value of silver upon the only two great occasions when it fell at all."

He also says, in reply to the assertion that it will require a concert of the great nations to restore silver to its former position:

> "It did not require a concert of the nations to break down the ratio, and it needs no concert to restore it." "EITHER ONE OF THE FOUR LEADING NATIONS CAN DO IT." (See also p. 219, "Money and Civilization.")

SEC. 33. Such an opinion from Del Mar, the best informed man that the world has ever produced on the History of the Precious Metals and the Science of Money, is worth more than the opinions of a thousand such men as Wells, Atkinson, Laughlin, Giffen, and other champions of the gold standard, who are so aptly described in the quotation above given.

SEC. 34. If the law can make a dollar stamped upon paper equal in value to a dollar stamped upon gold, without any regard to the value of either the paper or the gold upon which the stamp is placed and on which the money function is conferred, does it not necessarily

follow that it can make a dollar stamped upon silver equal in value to a dollar stamped upon gold, without any regard to the value of the gold or silver bullion?

SEC. 35. In proof of the fact that an inconvertible paper money can be maintained at a parity with gold and may be forced to a premium in gold, I quote McCulloch Com. Dic. pp. 68-69, the following:

> "That inconvertible or irredeemable notes can be carried to a premium in metal coins of the same denomination is proved by numerous instances in the monetary history of countries where both notes and coin were co-ordinate legal tenders. When the notes are exclusive legal tenders, they may be carried by means of contraction or limitation to any desired premium in coins." (See Sec. 179, this volume).

There are numerous instances in which inconvertible paper money has been carried to a premium in gold coins. The same principle that will force gold to a premium in paper money, will, if applied to paper money, force it to a premium in gold. It will be found that whenever and wherever gold has commanded a premium over inconvertible paper money issued by any responsible government, that the paper money has been over-issued, or that it was not fully invested with the money function, or that the law permitted the people to discriminate against it by making contracts payable specifically in gold or silver coins. Reverse these laws, make paper money a full legal tender for all purposes, limit the issue of paper money to an amount not in excess of the distributive share of the world's money that the issuing country, in proportion to its population and business, could retain within its borders, make the paper money a full tender for all purposes, deprive metallic money of its legal tender power, or make it a legal tender for certain specific purposes only, or allow it to be discriminated against in

private contracts and paper money will go to a premium in gold or silver coins.

SEC. 35a. In commenting on the fact that in many cases paper money had commanded a premium in gold, the Indian Currency Commission in their report in 1893, Sec. 92, page 34, says:

"The case of Brazil is perhaps the most remarkable of all, as showing that a paper currency without a metallic basis, may if the credit of the country is good, be maintained at a high and fairly steady exchange, although it is absolutely inconvertible, and has been increased by act of the government out of all proportion to the growth of population and of its foreign trade. * * * The Brazilian standard coin is the milreis, the par gold value of which is 27d. A certain number were coined, but have long since left the country, and the currency is, and has since 1864 been, inconvertible paper. The inconvertible paper was more than doubled between 1865 and 1888, but the exchange was about the same at the two periods, and very little below the par of 27d. It had gone down to 14d. in 1868, the date of the war with Paraguay, but had risen again, and was in 1875 as high as 28⅜d. (A premium of 1⅜d. on 27d. would be a trifle more than 5 per cent. premium in gold that the inconvertible paper milreis commanded in 1875)."

For numerous instances in which an inconvertible paper money has commanded a premium in gold coin the reader is referred to Ricardo, John Stuart Mill, McCulloch, etc.

SEC. 35b. A bimetallic law does not assume to fix the value of gold and silver bullion, or even to fix the relative value between them. It fixes only the ratio at which they may be coined into money and makes the money, so coined, a full legal tender for all debts, public and private, and gives the debtor the option to pay in money coined from either of the metals at the ratio fixed, and when this is done, the value will take care of itself. With such a law admitting both metals to unlimited coinage in force in any great commercial nation, and with

the option lodged with the debtor to use money coined from either metal in the payment of debts, it would be impossible for either of them to fall below the coinage ratio, or to rise much above it, because if there were any considerable rise created by demand for use in the arts and manufactures, or for exportation, coin would be melted for such uses.

SEC. 36. Mr. Groesbeck, one of the American delegates to the International Monetary Conference of 1878, in a speech delivered before the Conference (see page 109), said:

> "If we can keep an equilibrium of value between gold and silver, all nations will be substantially upon both metals. Gold will be as valuable as Silver everywhere, and Silver as valuable as Gold. It is idle to theorize that this cannot be done. We know it has been done. Throughout the entire past up to 1873, both metals were in equal use as money, and kept together evenly enough. Now and then, at long intervals, the relation between them was slightly changed, but the change was easily made, and without noticeable embarrassment. The change last made in Europe, fixing the relation at 1 in weight of gold to 15½ in weight of silver, stood the trial for more than three-quarters of a century. In all that time the slight differences in the market value in the metals did not amount to a serious disturbance. At one time one metal may have been at a slight premium; at another time, the other, but their average value was about the same. It is worthy of notice, that throughout the past, and up to the middle of the present century, it was never suggested by any writer or statesman that either of the metals should be generally abandoned because of the difficulty of keeping them sufficiently equalized. THIS IS THE LESSON OF MANY CENTURIES, and, theorize as we may, what has been done in the past can be done in the future; and instead of splitting hairs about the Single or the Double Standard, let us rather walk in the light of the experience of thousands of years."

SEC. 37. Del Mar, in his "Monetary Systems," page 63, calls attention to the fact that there are four distinct periods in the history of this relation:

"First—The period from the accession of Julius Cæsar to the fall of the Roman or Greek Empire in 1204, during which time the Roman government by monopolizing the coinage of gold and fixing the ratio between gold coins and silver, whether coined or otherwise, at 12 for 1, kept it constant and unaltered at that figure. As during the same interval the ratio in the Orient and the Arabian States was about 6½ for 1, and in the Gothic States, 8 for 1, some variation from the Roman ratio is to be observed near the frontiers of the Empire, but not elsewhere.

"Second—The period from the fall of Constantinople to the enactment of Individual, Private, or Free Coinage in Holland, England and other States in the sixteenth and seventeenth centuries. During this interval the various princes of the Occident began to coin gold, each for himself, and they fixed the ratio to suit their own interest or necessities. This period is characterized by the wildest dissonance of the ratio. It was a contest on the one hand, between monarchs, who alternately raised the value of their gold coins to the value of nearly twenty times their weight in silver (as in France in 1313) and raised their silver coins to the value of an equal weight in gold (as in France in 1359); and, on the other hand, their subjects and foreigners, who, until they adopted measures of avoidance or reprisal, were made the victims of these frequent and ruinous changes of value.

"Third—The period from the adoption of individual or free coinage to the years 1867-75. The principal States of the Occident ceased to coin silver for individual account at the dates last mentioned. During this interval the ratio of the value between gold and silver was the mint price, or the result of a competition between the mints of the principal States. For example, the value of gold in silver during this interval, never rose above the highest price paid for it at any important mint, and never fell below the price paid for it at any other important mint. In other words, nobody gave more nor less in one metal for the other than the mints gave, and the mints gave whatever the law directed. The so-called 'market value' of this period was simply what may be termed the international mint ratio.

"Fourth—The period since 1867-75 when silver was being coined by the principal States on their own account alone, there arose in the West for the first time since the establishment of free coinage, a general market value between gold and silver, entirely distinct from, and having only a remote relation to their mint value."

SEC. 38. Julius Cæsar established the Roman ratio of 12 to 1, and this ratio remained unchanged for thirteen centuries. During all this time the gold coinage of the Roman Empire was monopolized by the Basileus. The various provinces under the dominion of Rome were permitted to coin silver at the ratio of 12 to 1; and silver either in coin or as bullion could be used only in the payment of debts, of fines, taxes or revenue due the Government at that ratio, but at that ratio it could be used, whether coined or uncoined.

SEC. 39. Since the downfall of Constantinople in 1204, there have been numerous changes in the ratio, and while some of the changes unquestionably have been speculative on the part of the King, most of them without doubt were made for the purpose of attracting one or the other of the metals, or to make the ratio more nearly correspond with that of the surrounding nations.

SEC. 40. From 1493 to 1640, the amount of silver produced from the mines of the world was 46,200 tons and the amount of gold produced from the mines of the world was about 1,125 tons, or about forty-one times as much silver as gold. If the amount of production controlled the relative value, the ratio during this period would have been 41 to 1, while we know the ratio during this period ranged from 13⅓ to 1 to 16 to 1, most of it coined at the former ratio.

SEC. 41. From 1620 to 1690, Spain obtained about 355 tons of gold and 24,720 tons of silver, or about seventy times as much silver as gold. If the amount of the production controlled the ratio, then the ratio during this period should have been 70 to 1, yet the coinage ratio during all this time in none of the European countries was below 16 to 1, and in most of them it was 14 or 15 to 1. (See "Money and Civilization" page 102).

SEC. 42. Coming down to the present century, we find that from the commencement of the present century to 1848, the value of the silver produced, rated at its coinage value, was about two and one-half times that of the value of gold; so that, if the amount of production controlled the value, the ratio should have been 39 to 1; and that from 1848 to 1870 the value of the gold produced was three times that of the value of the silver produced, so that, if the amount produced controlled the ratio, the ratio during this period should have been 5 to 1, and yet we know, as a matter of fact, that during both of these periods, that is from 1800 to 1870, the ratio between gold and silver remained comparatively stable at 15½ of silver to one of gold. The divergence between the metals during that time never exceeded 5 per cent. and seldom exceeded 1 or 2 per cent. and such fluctuations in value, when they did occur, were occasioned by extraordinary demand arising from local causes, by mint charges, costs of transportation, insurance, commissions, etc.

SEC. 43. From the foregoing historical facts is it not conclusively established that the ratio between the metals is not controlled—in fact, is not influenced at all by the relative amounts of gold and silver produced? Since the commencement of the present century it appears that over a long series of years the value of the silver produced was 2½ times that of gold, and over another long series of years the value of the gold produced was 3 times that of the silver, and yet the coinage ratio remained unaffected. In the discussion of the cost of the precious metals, we have seen that the cost of the production of either of the metals has no influence whatever on their relative values. In the discussion of the influence of the bimetallic law of France, we shall show that this law for more than three-quarters of a century held the metals

together at a ratio of 15½ to 1, that in France there was no fluctuation in the money power of gold and silver coins coined under the bimetallic law in France, and that the fluctuation in the value of gold and silver bullion in France never exceeded that accounted for by the difference in the mint charges for fabricating gold and silver coins; and that the fluctuations in silver bullion outside of France never exceeded the cost of transportation to the French mint, insurance, commissions, mint charges, interest on money temporarily locked up, and other incidental charges.

SEC. 44. I insist that the history of Bimetallism clearly establishes the fact that neither of the metals can fall in value below the coinage ratio in any country maintaining free coinage of both metals at a certain fixed ratio, provided such country is able to consume, that is, to coin and float as money, all of either metal that can by any possibility be presented at its mints for coinage. There may be slight fluctuations in the relative value of the metals in other countries equal to the cost of transportation, insurance, commissions, loss of interest while in transit, and other incidental expenses; but if the coinage is gratuitous, or if there is an equal ad valorem charge for the mintage of both metals, and the demand is unlimited in the country thus coining, there can be no fluctuation in *any* country in the relative values of the metals greater than would be required to cover the above mentioned items of cost and charges. It would not be possible for the value of either metal to fall below the mint price in the country so coining both metals; nor could it rise very much above it, as any considerable rise would cause the coins of the metals so rising to be melted.

And it is unquestionably true that, by an international agreement, a ratio of 1 to 1 could be maintained without

fluctuation in the relative values of the two metals equally as well as one of 15½ to 1, or of 30 to 1; that it is not the relative amount of production, nor the cost of production, nor the amount of either of the metals in stock, nor of all these combined, that fixes and maintains the relative values of the metals, but the law and the law only; and it does this by creating a demand for the metals, by setting an economic force in motion, by providing that the metals shall be treated on terms of equality, that they shall have equal access to the mint, and that when coined into money the coins of each, at the ratio fixed, shall be equally clothed with the money function for all purposes. When this is done it would be as absolutely impossible for them to fluctuate in value, as measured by each other, as it would be for two gold coins of equal weight and fineness to be unequal in value. Under a ratio of 1 to 1, it is quite probable that but little gold would be coined into money. The value of gold for other than monetary purposes might and probably would exceed its value for coinage purposes. If it did, its consumption in the arts and for mechanical purposes would consume the entire or nearly the entire output. But any gold that might be coined into money under an international agreement of 1 to 1 would have no greater value, as money, than an equal weight of silver so coined.

CHAPTER IV.

EXPORTATION OF THE PRECIOUS METALS.

SEC. 45. It is the balance of international trade that causes one or the other of the metals to be exported from one country to another, and it is the difference in the ratio of coinage in the respective countries that determines which of the metals shall be taken for export.

SEC. 46. Sir Isaac Newton in his report as Master of the Mint to the Right Hon. the Lords' Commissioners of his Majesty's Treasury, dated September 27, 1717 (I quote from Appendix to "Colloquy on Currency," page XIV) says:

"It appears by experience as well as by reason, that silver flows from those places where its value is lowest in proportion to gold, as from Spain to all Europe, and from all Europe to the East Indies, China and Japan; and that gold is most plentiful in those places in which its value is highest in proportion to silver, as in Spain and England.

"It is the demand for exportation which hath raised the price of exportable silver about 2d. or 3d. in the ounce above that of silver in coin, and hath thereby created a temptation to export or melt down the silver coin, rather than give 2d. or 3d. more for foreign silver; and the demand for exportation arises from the higher price of silver in other places than in England in proportion to gold; that is, from the higher price of gold in England than in the other places in proportion to silver; and therefore may be diminished by lowering the value of gold in proportion to silver. If gold in England or silver in East India could be brought down so low as to bear the same proportion to one another in both places, there would be here

no greater demand for silver than for gold to be exported to India; if gold were lowered only so as to have the same proportion to the silver money in England which it hath to silver in the rest of Europe there would be no temptation to export silver rather than gold to any other part of Europe. And to compass this last, there seems nothing more requisite than to take off about 10d. or 12d. from the guinea; so that gold may bear the same proportion to the silver money in England, which it ought to do by the course of trade and exchange in Europe; but if only 6d. were taken off at present, it would diminish the temptation to export or melt down the silver coin; and by the effects would shew hereafter better than can appear at present, what further reduction would be most convenient to the public.

"In the last year of King William, the dollars of Scotland, worth about 4s. 6½d., were put away in the north of England for 5s, and at this price began to flow in upon us; I gave notice thereof to the Lords Commissioners of the Treasury; and they ordered the collectors of taxes to forbear taking them; and thereby put a stop to the mischief.

"At the same time the louis d'ors of France, which are worth but 17s. and 3 farthings apiece, passed in England at 17s. 6d.; I gave notice therefore to the Lords Commissioners of the Treasury; and his late majesty put out a proclamation that they should go at but 17s; and thereupon they came to the mint; and £1,400,000 were coined out of them; and if the advantage of 5½d. in a louis d'or sufficed at that time to bring into England so great a quantity of French money, and the advantage of 3 farthings in a louis d'or to bring it to the mint, the advantage of 9½d. in a guinea or above, may have been sufficient to bring the great quantity of gold, which has been coined in these last fifteen years, without any foreign silver.

"Some years ago, the Portugal moidores were received at the west of England at 28s. apiece; upon notice from the mint that they were worth only about 27s. 7d. the Lords Commissioners of the Treasury ordered their receivers of taxes to take them at no more than 27s. 6d. Afterwards, many gentlemen in the west sent up to the treasury a petition that the receivers might take them again at 28s. and promised to get returns for this money at that rate; alleging that when they went at 28s. their country was full of gold which they wanted very much; but the commissioners of the treasury, considering that at 28s. the nation would lose 5d. apiece, rejected the petition; and if an advantage to the merchant of 5d. in 28s. did

pour that money upon us, much more hath an advantage to the merchant of 9½d. in a guinea, or above, been able to bring into the mint great quantities of gold, without any foreign silver; and may be able to do it still, till the cause be removed."

SEC. 47. The coinage ratio in 1717 in England was 15.20 to 1; France was 15.04 to 1; Germany was 14.80 to 1; Netherlands, 14.45 to 1.

The difference between the English and French ratios was but .16, which was an undervaluation of silver by England as compared with the French ratio of 1½ cents on an ounce and yet so small an undervaluation was sufficient to cause the exportation of English silver to France and French gold to England as shown by Sir Isaac Newton's Report.

SEC. 48. In examining the special instances cited by Newton, we find a differencc in the valuation of 5¼d. in the French louis d'or, which was worth 17s., was sufficient to bring into England a large amount of French gold, and that a refusal to receive this French gold, except at a discount of ¾d., equal to an actual discount of about three-tenths of one per cent, was sufficient to force it into the English mint for recoinage. We also find that the Portugese moidores, worth 27s. 7d. would not circulate at a valuation of 27s. 6d. an undervaluation, of less than three-tenths of one per cent.

SEC. 49. I have quoted quite liberally from Sir Isaac Newton's Report; not only from his recommendation, but also from the facts cited by him in support of them. I am induced to do this not only on account of his eminent ability as an economist and financier, but also for the further reason that no one, I think, will question his facts. This report, and the facts therein cited, conclusively prove that a difference in the mint ratio in different countries will cause the undervalued metal to be melted

down, or exported to those countries giving it a higher valuation, and that a slight undervaluation is sufficient to produce this result. With a knowledge of these facts it ought not to be difficult to understand why gold would not circulate as money in the United States between 1792 and 1834, when it was undervalued in this country 3½ per cent as compared with the European ratio; and why silver coins were exported since 1834, they being undervalued 3½ per cent, under the law of 1834 as compared with the European valuation.

SEC. 50. The alternating demand for first one and then the other of the metals has not been caused by any general preference of the people for either of the metals, nor by changes in the cost of production, nor by the relative amounts produced but by the arbitrary decrees of kings, princes and legislatures changing the ratios at which they were permitted to be coined into money. Changes in the ratio have sometimes been made for speculative purposes, but generally for the purpose of attracting one or the other of the metals into the nation making the change, but never for the purpose of making the ratio coincide more nearly with the relative production of the two metals. On the contrary, all important and radical changes in the ratio have been made in favor of the more abundant metal, that is, in increasing the relative value of the metal of which there was, at the time, the greatest production.

CHAPTER V.

FIRST SILVER AND THEN GOLD OVERVALUED IN THE UNITED STATES.

SEC. 51. It is claimed by the gold standard advocates that it is impossible to hold the metals together by virtue of a legal ratio; that the laws of commerce are superior to any legal enactment; that repeated attempts have been made to fix a legal ratio so as to coincide with the market value of the metals, and that all such attempts have utterly failed. The adoption of the French ratio of 15½ to 1 in 1803, and that of 15 to 1 in the United States in 1792, and of 16 to 1 in 1834, they claim were such attempts.

SEC. 52. In the chapter on "Bimetallism in France" (see Chapter XII), it will be seen that the facts do not warrant the assertion as to France, and I now propose to show that it is not true as to the United States.

SEC. 53. In 1785 a Committee on Coinage and Finance, previously appointed, reported to Congress recommehding the adoption of a ratio of 15 to 1. (See report of Committee on Finance of Continental Congress, vol. 26, pp. 537-560.) Among other things the committee says:

"In France one grain of pure gold is counted worth fifteen grains of silver. In Spain sixteen grains of silver are exchanged for one of gold and in England 15½. In both of the kingdoms last mentioned, gold is the prevailing money, because silver is undervalued. In France silver prevails. SUNDRY ADVANTAGES

WOULD ARISE TO US FROM A SYSTEM BY WHICH SILVER MIGHT BECOME THE PREVAILING MONEY. THIS WOULD OPERATE AS A BOUNTY TO DRAW IT FROM OUR NEIGHBORS BY WHOM IT IS NOT SUFFICIENTLY ESTEEMED."

SEC. 54. This committee showed that the ratio of 15 to 1 overvalued silver, but it recommends that ratio, because in the opinion of the committee, "sundry advantages would arise to us from a system by which silver would become the prevailing money." The United States did not at that time adopt any ratio, but in 1792 it did adopt the ratio of 15 to 1, and France in 1792 was coining at the ratio of 15½ to 1. On the adoption of the ratio of 15 to 1, in the United States in 1792, it was well known that silver was overvalued, and this ratio was adopted for the express purpose of attracting silver, it being believed that silver was better adapted to the wants and demands of the people, at that time, than gold.

SEC. 55. By the Coinage Act of 1834, gold was overvalued. There was no attempt in 1834 to make the coinage ratio agree with the "market" values of the bullion, but gold was purposely overvalued because gold had been discovered in the mountains of Georgia and the Carolinas, and extravagant hopes were entertained that immense deposits of gold would be found, and that overvaluing gold three or four per cent. would stimulate its production. The propriety of raising the value of gold had been discussed for several years. In 1831 Albert Gallatin, who had been Secretary of the Treasury for eight years under Thomas Jefferson, in a work entitled "Considerations of the Currency," said:

"Another consideration in favor of the proposed reform of our gold coins. It seems to be well ascertained that the United States contains some of the most extensive deposits of gold that have yet been discovered. * * * * * It appears but just to afford to those employed in collecting the natural product, a certain, and the highest, home market of which it is susceptible."

SEC. 57. In the early days of the Republic, before wealth dominated every department of the Government, it was regarded as a very proper thing to legislate in favor of the wealth producer and secure for him the best market possible, but in 1873, when a large amount of silver was being produced, instead of legislating to increase or even sustain its value, the Act of February 12 was of such a character as to take away from it a part of its value and degrade it as a money metal, by denying it access to the mint.

CHAPTER VI.

CONSUMPTION IN THE ARTS.

SEC. 58. Of course no one knows with certainty how much gold is annually consumed in the arts and manufactures. Estimates, however,have been made by trustworthy statisticians that the consumption for other than monetary purposes amounts to from two-thirds of the annual production to the total output. Mr. Soetbeer, the foremost statistician of the age, says (p. 53):

"The assumption that in the years recently passed, together with the outflow to the East, and the still prevalent practice of hoarding, industrial employment has materially checked the increase of the monetary gold stock, and may, presumably, have nearly absorbed the yearly new production of gold, cannot, it is true, be numerically demonstrated, but, on the other hand, just as little will it be possible to demonstrate its incorrectness."

SEC. 59. Professor Suess, of the University of Vienna, in his work on "The Future of Silver," quotes the above paragraph from Dr. Soetbeer, and then says:

"This view I share entirely, and it corresponds to the present condition of affairs. But the industrial demand increases from year to year with increase of wellbeing. We have either already reached the day, or approached very close to it, when mining will yield less than industry consumes. From that day forward the whole new production no longer counts for monetary needs, and from that day forward industry will withdraw from the stock of money an amount of gold increasing annually with the increase of wellbeing."

SEC. 60. Mr. Giffen, statistician for the London Board of Trade, in his book entitled, "The Case Against Bimetallism" (p. 85), says:

"About two-thirds of the gold annually produced is taken for the arts; and if the consumption of India is included * * then the demand for gold for non-monetary purposes appears almost equal to the entire annual production."

SEC. 61. President Andrews, in his article on "Falling Prices" printed as a preface to his "Honest Dollar," estimates that the consumption for other than monetary purposes in the year 1893 was $108,565,000 out of a total production of $155,522,000, which leaves $46,956,000 for coinage purposes, which is less than one-third of the year's production, and which would not much, if any more than keep the old stock good from loss by accident, abrasion, etc.

SEC. 62. Sir Guilford Molesworth, delegate from British India to the International Monetary Conference of 1892 in a speech delivered before the Conference Dec. 6th, 1892, said: "The annual supply of gold scarcely exceeds the amount required for industrial purposes."

SEC. 63. In Appendix B, of the third report of the Royal Commission on Trade, Mr. Palgrave furnishes some statistics relative to the amount of gold and silver money in the world and the amount of gold and silver annually consumed in the arts and manufactures. His figures are based mainly on the estimates of Soetbeer, and are as follows:

Stock of gold and silver money, including hoards, in the civilized nations of the world in 1884—

Gold	£654,000,000—	(equals $3,270,000,000)
Silver	437,000,000—	(equals $2,185,000,000)

Production in 1884—

Gold	£19,500,000—	(equals $ 97,500,000)
Silver	26,000,000—	(equals $130,000,000)

The average annual consumption of gold in the arts and manufactures and exports to the East (deducting imports therefrom) for the four years 1881 to 1884 was £16,500,000, which leaves but £3,000,000 ($15,000,000) of new gold available for maintaining or increasing the coinage, and for hoarding.

The annual consumption of silver during the same time, in the arts and manufactures was about £4,500,000 ($22,500,000), whilst the net annual flow of silver to the East was £14,500,000 ($72,000,-000). Thus we have a total consumption of silver for non-monetary purposes of about £19,000,000 ($95,000,000), leaving a balance for coinage purposes, and for hoarding, of about £7,000,000 ($35.000,-000). (See Monetary Problems 304).

SEC. 64. By the phrase "Civilized Nations of the World," I understand Mr. Palgrave includes Europe, America, and Australia, and excludes Asia.

SEC. 65. Jacob's estimate of production of gold and silver from 1493 to 1809, and the manner of its consumption, is given in Chapter I, Sec. 9 of this Volume. Out of a total production of £1,360,600,000 he estimates that £346,000,000 only was added to the volume of money, and that the remaining £1,014,000,000 was lost by abrasion and casualty, exported to the Orient or consumed in the arts and manufactures. See Chapter I, Sec. 9, for particulars as to the manner of consumption.

SEC. 66. Alex. Del Mar, without doubt the best informed man living, on the history and movement of the precious metals, in his work entitled "A History of the Precious Metals" (pp. 184 and 185) makes the following estimate; he says:

"The total sum of the supplies to Europe up to 1878 inclusive were about £2,627,800,000. To this must be added £33,400,000, for the amount of specie estimated to have been in use as coin in Europe at the period of the discovery of America. The total of these two sums is £2,661,200,000. The amount of coin estimated to have been in the Western World in 1876 was £700,000,000. And

at the present time [1880] it is from £600,000,000 to £700,000,000. It follows that of the total supplies nearly £2,000,000,000 or over 70 per cent. has been lost, consumed in the arts or exported to Asia.

"Similar calculations made up to previous dates determines the proportion of consumption to production to have been as shown in the following table:

SUMS IN MILLIONS OF POUNDS STERLING

Date	Cumulative Supplies to date	Stock at date	Cumulative Consumption to date	Per cent of Consumption to Supplies since last date
1675	509	250	259	50
1700	592	297	295	50
1776	1,054	275	797	74
1808	1,314	380	935	71
1828	1,441	313	1,128	78
1838	1,510	270	1,240	82
1850	1,675	400	1,275	76
1860	2,040	560	1,480	72
1870	2,365	720	1,645	70
1876	2,564	740	1,824	71

"From this calculation it appears that, within the past century the consumption in the arts, etc., and for exportation to Asia has never fallen below 70 nor risen above 82 per cent. of the total supplies and this only at one period of unusual metallic dearth. These results appear to afford ground for the opinion that, hereafter, as heretofore, this consumption will amount to about three-fourths of the supplies; but such an opinion, though possibly correct, should not be adopted without further examination."

SEC. 67. Del Mar's estimate includes both of the precious metals, and it is a well known fact, conceded by all statisticians, that the annual consumption of gold for other than monetary purposes is much greater, in proportion to its production, than is that of silver. The probabilities are that the estimates of Soetbeer, Suess, Giffen, Palgrave, Del Mar, and others, that the total annual product of gold was being consumed for other than monetary purposes was true in 1894 and 1895, when made, and that the new gold then being coined was no more than sufficient to make good the loss by abrasion, casualty and

to supply the demands of the Orient and for hoarding, and that the world's supply of gold money, available for use, was not being increased. Since 1894–5, however, there has been an abnormal increase in the world's production of gold. The annual output has nearly doubled since 1893, and unquestionably new gold has been coined into money, possibly twenty-five or thirty per cent. of the total output, which is a much larger per cent. than was formerly used for monetary purposes.

SEC. 68. The fact that during the past 400 years 25 per cent. only, or even less than 25 per cent. of the gold and silver produced has been coined into money, and that 75 per cent. has been consumed in the arts and manufactures or exported to the Orient is a startling fact to men who have given no special attention to the money question. They naturally conclude that if $400,000,000 worth of gold and silver bullion is being annually taken from the mines and placers of the world, then $400,000,000, or nearly that amount, is being added to the world's volume of money, and that such an increase is sufficient to keep pace with the increasing population, increasing development and extension of business and the necessarily increasing demand for money.

SEC. 69. They lose sight of the fact that Asia now is, and for many centuries has been, a sink for the precious metals; that when once exported to Asia they are forever lost to the Western World, and that more than one-half of the gold and silver produced from the mines and placers of the world since 1493 has been so consumed. The gold imported into India in excess of that exported therefrom, as shown by the official reports, (see Laughlin's History of Bimetallism in the United States, pp. 346, 347), from 1855 to 1893, a period of thirty-eight years, amounted to $711,523,000, and yet the financial reports during all

that time do not show that there was during that time a dollar of gold money in India. This $711,000,000 worth of gold in the short space of thirty-eight years was absorbed by the people of India for jewelry, for trinkets of various kinds, for hoarding and for sacerdotal purposes, and during the same time a large amount of silver was consumed in the same manner. What is true of India is also true of all other countries in Asia.

SEC. 70. The gold and silver imported into India, from 1855 to 1893, in excess of exports therefrom, amounts to $2,274,088,000. (See Laughlin's History of Bimetallism in the United States, pp. 346-347). The World's production of the precious metals during the same time as shown on pages 194-195 of the 1897 report of the Director of the Mint was, gold $3,502,003,000, and silver $4,589,096,000 the total production for the 38 years being $8,091,099,000, from which it appears that 28 per cent. of the total production was exported to India alone. The imports into other Asiatic countries, to-wit: China, Japan, the Straits Settlement, Siam, etc., countries which, taken together, have more than $400,000,000 more money than India has, unquestionably equals, if it does not exceed, the imports into India. Supposing, however, that the net imports of the precious metals into all of these countries is no more than the Indian import; even then, we have for consumption of the precious metals in Asia, 56 per cent. of the total output. Of the remaining 44 per cent. one-half is consumed in the arts and manufactures, leaving less than 25 per cent. for monetary purposes in the Western World.

SEC. 71. The finance reports of the United States contain no special estimate of the amount of the precious metals consumed for other than monetary purposes, but facts are given from which approximate estimates can

be made. The annual report of the Director of the Mint for 1897, pages 194-195, gives a tabulated statement of the world's production of gold and silver from 1493 up to and including the year 1896, from which it appears that $8,983,320,600 of gold and $10,556,700,800 of silver has been produced, which makes a total production of $19,540,021,400. On pages 40-41, of the same report, the Director of the Mint estimates the stock of metallic money in the world on January 1, 1897, at $4,359,600,000 in gold coin and $4,268,300,000 in silver coin, which would give us a total of $8,627,900,000 of metallic money, of which he locates $2,329,500,000 in Asia. Deducting from the total stock of metallic money, the money in Asia, we have $6,308,400,000 as the total volume of metallic money in the world exclusive of that held in Asia.

In order to determine how much of the gold and silver produced since 1493 has been added to the world's volume of money, we must deduct from the present stock, the metallic money in existence in 1493, which is estimated by Jacob, whose estimate is generally accepted as approximately correct, at £33,400,000, or $167,000,000,

If we deduct $167,000,000 for the total metallic money in the Western World in 1493, we have $6,141,400,000, as the sum added to the world's volume of metallic money since 1493 exclusive of that exported to Asia. It thus appears, assuming the estimate of the Director of the Mint to be correct as to the amount of metallic money now in existence, that of the $19,540,021,400 worth of gold and silver bullion produced since 1493, $13,398,621,400 has been used for non-monetary purposes or exported to the Orient, and but $6,141,400,000 has been coined into money; in other words 69 per cent. has been consumed in the arts and manufactures or exported to Asia, and 31 per cent. added to the volume of money.

SEC. 72. It is well known, however, that the Director of the Mint grossly overestimates the metallic money of the Western World. For instance, he estimates the silver money in the United States at $634,500,000, (see report 1897, p. 41), and he shows on page 37 of same report that this estimate includes $106,697,670 worth of silver bullion which is not money at all, and may never become money. It is also well known that he overestimates by more than $200,000,000 the gold coin in the United States. There is no doubt that the Director of the Mint overestimates the metallic money of the Western World more than $1,000,000,000, but even assuming his estimate to be correct, it appears that 69 per cent. of the precious metals produced since 1493 has been used for non-monetary purposes, lost by casualty and abrasion, or exported to the Orient, and only 31 per cent. added to the money of civilization; and if a proper allowance is made for his overestimate of the amount of metallic money in existence, it will be seen that the estimates of Soetbeer, Jacob, Del Mar, Giffen, Jones, Palgrave, Suess, and other statisticians are within the limit, and that fully 75 per cent. of the precious metals are so consumed, and that not more than 25 per cent. is added to the volume of money, and that the relative proportion, so consumed, of gold, is greater than that of the silver, and also that the proportion consumed for other than monetary purposes is increasing with the increase of wellbeing.

SEC. 73. Notwithstanding the fact that it is well known by all economists that but a small per cent. of the world's production of gold is added to the world's volume of money, Professor Laughlin, (who signs himself "Head Professor of Political Economy in the University of Chicago"), in his book entitled "The History of Bimetallism in the United States," page 205, says:

"Inasmuch as trustworthy authorities say the gold product will continue on the present great scale for at least fifteen years (at an annual output of at least $220,000,000), we may reasonably look forward to an addition of $3,000,000,000 in our stock of gold during these years, or an amount as large, if not much larger than, the whole gold circulation of the world in 1850. The imagination is challenged to picture the result of this abundance, and it is not too much to say that it takes away whatever force may have been left in the argument of the bimetallists that gold is scarce and insufficient for the needs of trade."

SEC. 74. Can it be possible that the "*Head Professor*" of Political Economy in the University of Chicago does not know that a small per cent. only of the gold now being produced, or hereafter likely to be produced, is being coined into money? Can it be possible that the "Head Professor" never read the statistics published to the world by Humboldt, Soetbeer, Del Mar, Giffen, Palgrave, Suess, and others, and reproduced in the Appendix in his own book on Bimetallism? Can it be possible that the Appendix was prepared by some one other than the "Head Professor," and that the "Head Professor" never read it? He must be ignorant of the fact stated by Suess that "*we have either already reached the day or approached very close to it when mining will yield less than industry consumes, that from that day forward the whole new production no longer counts for monetary needs, and from that day forward industry will withdraw from the stock of money an amount of gold increasing annually with the increase of wellbeing.*" The "Head Professor" of the University of Chicago is either ignorant of these facts, or he is dishonest, and is attempting to deceive the people.

CHAPTER VII.

VALUE.

SEC. 75. In my article on Bimetallism published in the *Arena* for June, 1896, and reproduced in the Appendix to this volume, I discussed the question of value and endeavored to prove, and I think I succeeded in so doing, that there was no such thing as "intrinsic value." I shall not, in this chapter enter upon a discussion of this question, but shall content myself with citing a few additional authorities in support of the principle there enunciated, and refer the reader to the arguments there adduced in support of them.

SEC. 76. Walker on Money, Trade and Industry, page 32:

"Value is not a property of anything. It arises wholly out of relations which exist between things."

SEC. 77. Senator Jones, October, 1893, speech, p. 10:

"Value is subjective,not objective; and not being objective it cannot be intrinsic."

SEC. 78. Senator Jones in the International Monetary Conference of 1892, p. 255:

"The much vaunted 'intrinsic' value of gold does not exist. The idea that it does exist is founded upon a misconception altogether too long tolerated regarding the meaning of the term value. Value I define to be: HUMAN ESTIMATION PLACED UPON DESIRABLE OBJECTS WHOSE QUANTITY IS LIMITED AND WHOSE ACQUISITION INVOLVES SACRIFICE.

SEC. 79. Senator Jones in International Monetary Conference, p. 255:

"Value is subjective, not objective. It resides not in the article, but in the mind. It is the degree of mental estimation in which the possessor of an article holds the qualities possessed by the article, as modified by the limitation of the quantity of such articles and the average amount of sacrifice necessary to obtain them. An article may, therefore, have estimable qualities that are intrinsic, and for which the possessor may value or esteem it, but no article whatever can have intrinsic value."

SEC. 80. Jevons' Political Economy, p. 159. Mill's Principles of Political Economy, Book 3, chap. 9, sec. 3:

"Alterations in the cost of production of the precious metals do not act upon the value of money, except jnst in proportion as they increase or diminish its quantity; which cannot be said of any other commodity. It would, therefore, I conceive, be an error, both scietifically and practically, to discard the proposition which asserts a connection between the value of money and its quantity."

SEC. 81. Rogers' Industrial and Commercial History of England, p. 324:

"The fundamental cause of value in the precious metals is their use as money."

SEC. 82. Gide's Political Economy, p. 216:

"Gold and silver owe almost the whole of their value to the fact that they can be converted into and used as money. If gold and silver were absolutely excluded from the currency of the world, their value would be greatly reduced, if it did not almost entirely cease to exist. And if either gold or silver were largely excluded from the currency of the world, the value of the metal so excluded would experience a very great fall."

SEC. 83. Gide's Political Economy, p. 216:

"No doubt if gold and silver were demonetized in every country, metallic money would lose the greatest part of its value. We must not deceive ourselves as to this matter; and the present fall in silver caused by its demonetization in some countries, only too fully proves

this fact. Yet many authors do harbor this illusion, or at any rate do not put their readers on their guard against it. Most of them seem to say that the Government seal stamped on gold or silver coin merely state their actual value, just as the tickets tradesmen put on their goods. But the declaration that the six-gram piece is worth twenty francs is not only DECLARATORY, but it is also DETERMINATIVE of value. It is because the will of the legislator, or, if it is preferred, the agreement of men has chosen gold and silver as money, that these metals have acquired the larger part of their value; and they would lose it as soon as this agreement or this law happens to cease to exist."

SEC. 84. Del Mar's Science of Money, p. 67:

"If it be asked, what is the precise character of this numerical relation called value? the reply must be that although it depends upon many uncertain and incalculable elements, as human necessity, desire, passion, speculation, and caprice, yet, as shown in another part of this work, it is essentially an equitable relation, or one that between equal parties has a tendency to become equitable; that it is extremely variable; that it is extrinsic to and not connected with the physical properties of, nor difficulty in producing, commodities; and that it is susceptible of precise expression in numbers and in numbers only."

SEC. 85. Graham's Synonyms:

"Value being a definite relation, cannot with propriety be coupled with an indefinite article. 'A value,' for example, is erroneous. Value has an active, worth a passive meaning. The quality 'worth' is what a thing is in itself; its value is determined by what it does for you. Worth is 'intrinsic,' value depends upon circumstances."

SEC. 86. Walker's Money, Trade and Industry, p. 60:

"Value is a relation, and, therefore, cannot be measured, but only expressed or stated. Value is, in the very nature of things, a phenomenon which is subject to incessant change; therefore there can be no standard for it. So palpable is this objection that some writers who still cling to the term Measure of Value have abandoned that of Standard of Value. * * But, in fact, neither term is correct."

CHAPTER VIII.

VALUE OF THE PRECIOUS METALS.

SEC. 87. Del Mar, in the closing paragraph of his "History of the Precious Metals" (page 359) deduces the following economic principles:

First—"That owing to the great influence of the accumulated stock on hand of the precious metals, and the fact that a large portion of this was obtained by conquest or slavery, and therefore, at the time it entered into the exchanges it cost little or nothing, free mining has always been and for a long time yet will remain on the average an unprofitable industry, and that gold and silver cost more than they are worth.

Second—"That the supply of gold and silver is not like that of other, and particularly, manufactured commodities, subject to the control of man, but is dependent on the vast stock on hand of these metals, and on the unforeseeable issue of mining discoveries and explorations from time to time; and that therefore, gold and silver are not subject in the same unconditioned manner as are other commodities, to the general law of supply and demand.

Third—"That the value of gold and silver is not determined by the cost of their production, but by the quantity in existence, or rather by the total quantity of these metals and their substitutes, (paper promises, and symbols, and paper and metallic numeraries) employed as money."

SEC. 88. F. W. Bain of Oxford, England, says:

"Cost of production so important and decisive as to the value of commodities bought with money, is, in the case of money itself, of no account whatever. For, any particular commodity we can do without; and so if it costs too much to produce no one will buy it, but money must be had at all costs, for without it, no

commodities can be procured at all. And, be it observed, money is comparatively permanent. It is not, like commodities in general, consumed in the use. Consequently there is a great and even enormous difference between it and things produced to be consumed. It is, as a rule, the rapidly perishing commodity whose value depends mainly on its cost of production. Each time it is wanted it must be made again. But money, once made, is there for almost any length of time, for though it wastes a little, yet not much, its value therefore can be hardly, if at all, appreciably dependent on its cost of production." (See Principle of Wealth Creation, p. 101.)

SEC. 89. John Stuart Mill says:

" Alterations in the cost of production of the precious metals do not act upon the value of money, except just in proportion as they increase or diminish its quantity, which cannot be said of any other commodity." (Principles of Political Economy, Book 3, Chapter 9, Sec. 3.)

SEC. 90. Professor Walker, in his "Money, Trade and Industry," (page 55), quotes approvingly the above paragraph from Mill, and then says:

"How will the action of money, the Value Denominator, or Common Denominator, in exchange be affected by the use of gold otherwise than as money? Not at all. * * The use of gold in the arts, decorative and industrial, has nothing to do with the purchase power of the gold, as money. On the contrary, it is the purchase power of gold as money, which primarily determines how much gold shall be consumed in the arts."

SEC. 91. Mr. Gibbs, in his "Colloquy on Currency" says:

" The value of bullion is not regulated by the cost of production. In this it differs from other commodities."

SEC. 92. Del Mar, in his "History of the Precious Metals" (page 16) says:

" Rising from the obscure details of the early history of the precious metals, it may not be amiss before opening its more modern and authentic chapters to briefly characterize its general features. These are slavery and conquest; slavery being the means by which

the precious metals were chiefly first acquired, and conquest those by which their possession was transferred from one nation to another. Their price to their original producers, even were it calculable, can be of no possible interest to the modern world. The blood and sweat which they originally cost were not sacrificed by the races who now possess them; but by others long since extinct and forgotten. We of later times have come into their possession by violence. They are a deeply ensanguined inheritance, and it is not until the millions of lives which this violence has involved can be reduced to a pecuniary equivalent, that the value of what portion of the precious metals has come to us from the ancient times can be reduced to a basis of cost."

SEC. 93. He also says:

"The relative quantities of the precious metals does not fix the relative value of the metals, nor does the relative cost of production fix it. What does fix it? Simply the law of the nation or nations that coin the greatest quantity of them. In short, the conditions under which the precious metals are produced have nothing whatever to do with their relative values in the market. This results entirely from the legal ratio at which they are being coined, and the quantity coined under the legal ratio." (See "Money and Civilization," page 104.)

SEC. 94. The idea that the value of the precious metals, or that their relative value is controlled, or even influenced at all, when coined into money, by the cost of production is fallacious. Quantity is the essential element in the value of money, without any regard to the fact as to whether the material out of which it is made cost much or little. The value of money whether stamped on gold, silver, or paper, or any other substance, depends upon its quantity as compared with the quantity of commodities to be exchanged for money; and the relative value of gold and silver bullion depends upon the mint price paid for it by important nations, and the mint price is fixed and regulated exclusively by law.

CHAPTER IX.

INFLUENCE OF LAW ON VALUE.

SEC. 95. One of the objections urged by gold monometallists against the restoration of silver to free coinage at the ratio existing prior to 1873 is that silver is now worth only about half as much as it was in 1873, and that to coin money at the old ratio would be a great injustice to creditors, would, in fact, amount to a virtual confiscation of one-half of all obligations payable in money. They also insist that the present price of silver is its normal price, fixed by the law of supply and demand, and that the Government should not, if it could, and could not if it would, double the value of silver by legislation; that law can exert no influence upon value; that supply and demand must, of necessity, regulate and control value. They object to the restoration of silver to the right of coinage, under any circumstances, on terms of equality with gold and they strenuously insist in the name of "honest money" and the "inviolability of contracts," that if silver is restored it should only be done at the present commercial value of silver bullion, that is to say, at about the ratio of 32 to 1. They say that to pay a debt of $130 at the present time it would require 200 ounces of silver bullion, and that if silver were restored to free and unlimited coinage at the ratio of 16 to 1 and invested with the full legal tender money function, this obligation could be paid with the money coined from 100 ounces of silver bullion;

this, they insist, is a positive injustice to the creditor, as he would be compelled, under such a law, to receive one-half the amount he had a right to expect at the time of the execution of the contract. That these objections are fallacious can very easily be shown.

SEC. 96. The objections to a ratio of 32 to 1 are:

First—That the silver dollar is now large enough for all practical purposes. To double its size would be to encumber uselessly the pockets of those who would have to handle and use this money, and a silver dollar double the size of that now in circulation would be of no greater money value than the present dollar, and

Second—Recoinage at the ratio of 32 to 1 would entail a positive loss to the nations, or to the people of the nations recoining, of one-half of the silver money they now have. There is in the world about $4,000,000,000 in silver money. To recoin this money at a ratio of 32 to 1 would reduce the volume of silver money one-half; this would amount to a positive and sudden contraction of $2,000,000,000 in the world's volume of money, and would produce a financial crisis such as the world has never experienced and which it is to be hoped it may never be afflicted with.

SEC. 97. Would the creditor be injured by the free coinage of silver? Suppose the Government should restore to silver to its ancient right of unlimited legal tender and of free and unlimited coinage at the ratio of 16 to 1, and that, on account of such unlimited coinage and legal tender power, the price of silver bullion should advance from 65 cents per ounce to $1.29 per ounce. Would the creditor be injured? I fail to see how he would be injured in the least. While it is true that at present it would take 200 ounces of silver bullion to pay a debt of $130, and that under free coinage the muney coined from 100

ounces would pay it, yet the creditor would not be injured because the 100 ounces received under free coinage would have precisely the same value that the 200 ounces of silver bullion have today. It is true that if paid in silver bullion at the present price of silver bullion, and that if on the adoption of a free coinage law at the old ratio silver should double in value, one-half the amount of silver bullion would then satisfy the debt but the value received in both cases would be the same, and it is in value that the creditor is to be paid in and not in silver bullion. Even at the present time, unless the contract is payable specifically in gold coin, a debt of $130 can be paid in silver money coined from 100 ounces of the silver bullion precisely as it might be under a free coinage law. The only difference is that, under a free coinage law, the debtor owning bullion would have access to the mint for coinage purposes, while at present he has no power to convert his bullion into money. Is it not perfectly apparent that there is no force in this objection?

SEC. 98. These gentlemen forget, also, or ignore the fact, that the reason why silver has fallen in value as measured by gold is because, and only because, it has been, by law, deprived of its chief use, of its money power, and of free access to the mint, and that upon its restoration to its former position as a money metal at the old ratio its old value will reassert itself. Mr. Gibbs, in his "Colloquy on Currency," page 32, gives a very happy and forcible illustration of this fact. He says:

"Supposing a decree that no man should wear a hat; people might make hats, buy and sell hats, carry them in their hands, sit on them, play football with them, hang them up anywhere; but on no accouut, wear them on their heads. Is it not probable that the price of hats would fall? The Government of the day would no doubt, say with you, Harrop, that—'The then existing price indi-

cated the natural value of a hat; that they had not interfered with the price, that they had left that to the natural laws of supply and demand.' That is just what they have done with silver. They have cut off half the demand; and then they say the resulting price is a true indication of the value of the commodity. Repeal the 'Hat Edict,' and you would find that the neglected stock of hats would again be in use on the heads of the lieges, who would very cheerfully pay the accustomed price for them. So would it be also with silver—restore its use as full money and you would see that its price would respond."

SEC. 99. The advocates of a gold standard, or at least that portion of them who are ready to deny or ignore well established monetary principles and contradict all the historical facts relating to money insist that law cannot influence value and that the coining of gold and silver bullion into money, and conferring upon such coin the legal tender money function, adds nothing to its value; that the stamp of the government is merely a certificate of the weight and fineness of the metal, and that bullion in bars has, and must necessarily have, the same value as the same amount of bullion in coined money; and these "gentlemen" apply to anyone who differs with them on this proposition such pet names as "lunatic," "faddist," etc., etc. (See writings of Wells, Giffen, Atkinson, Laughlin, and other pseudo economists of this school.

SEC. 100. Let us examine this question. Professor Walker, in his work on "International Bimetallism" (page 94) says:

"There is not a civilized country in the world at present where the law is not profoundly affecting, if not controlling, the value of some commodity. Laws often affect values when they were not intended to do so. Indeed, it is often difficult to prevent laws from affecting values when they are passed for a very different purpose, even when the result of affecting values has been carefully sought to be avoided. Whenever the law sets an economic force in motion it can and will and must affect value. The degree in which value

shall be affected will depend upon the extent of the economic force thus put into operation. Law cannot create value, that is, add to the sum of wealth, but to say it cannot affect value, that is, change the relative value of things, is preposterous.

"As regards Bimetallism, then, the question simply is, can government set in motion any economic force which will affect the relative value of gold and silver? I answer, yes, incontestably; and that force is one of enormous scope and reach. By declaring the two metals indifferently legal tender in the payment of debts, at a certain ratio, it at once and powerfully influences the demand for one and the other of the two metals. This was what France did by the law of 1803. That law gave an ounce of gold, in coined money, precisely the same power to pay debts as that possessed by 15½ ounces of silver, in coined money. The operation of this principle was simple, instantaneous, automatic. If, at any time, either of the two metals became less valuable than by the legal ratio, every debtor instanctively sought coin of that metal, with which to meet his obligations in preference to coin of the other metal. This increased the demad for the cheaper metal; and, by that very act, decreased the demand for the metal which was becoming dearer in the market. Now, to increase demand is, other things equal, to raise price; while to decrease demand is, other things equal, to lower price. Thus, through its power to regulate the payment of indebtedness, the government practically threw its weight upon that one of the two metals which tended to rise and keep it down. No one wanted the dearer metal to pay debts with; everyone wanted the cheaper metal for that purpose; and since the volume of indebtedness coming due every day in any commercial country is very large, the force thus invoked was sufficient to produce an enormous economic effect. It was not at all because the French Government declared that one part of gold should be worth 15½ parts of silver that this result took place; but because the French Government set in motion competent economic forces to that end.

"Chevalier, in his day the leading monometallist of France; the monometallist Lexis, the first economic statistician of Germany, if not of the world; the monometallists Cairnes, Jevons, Bagehot, the three greatest economists of England who survived John Stuart Mill; and Sir Robert Giffen and Lord Farrer, today the chief champions of monometallism; every one of the men quoted, and I might add a score of eminent names, has fully and ungrudgingly

conceded the principles stated. The concurrence of general opinion on this subject is overwhelming. Not a person worth quoting can be cited to the contrary effect." (See Walker's "International Bimetallism," page 96.)

SEC. 101. A bimetallic law does not attempt to fix the price or relative value of the two metals; it only fixes a ratio at which they will be coined into money, and invest the money coined from either of the metals with the legal tender function, and when the ratio is thus fixed, the law of demand will fix the price. The debtor, having the option to discharge his obligations in money coined from either, will as a matter of self-interest select the metal which can be obtained the cheapest and the extra demand thus created will soon counteract any decline in relative value, and it would be impossible for any great divergence between them. Chevalier, writing in 1860 on the French ratio of 15½ to 1 said: "While this state of things lasts, (that is unlimited coinage, at the ratio of 15½ to 1) it will be impossible at London, Brussels, or Hamburg, or even at New York, or at any other great center of commerce, for the value of gold to fall much below 15½ times its weight in silver."

SEC. 102. Count Rusconi, delegate from Italy to the International Monetary Conference held in Paris in 1878, in a speech delivered before the conference, and reported in the proceedings of the conference, pages 61-62, said that he did not believe, for his part, that the establishment of a ratio between gold and silver was like squaring the circle.

"A metal is one thing," said he, "but Money is another. Nature makes the metal. Law alone makes the Money. If the uncoined metal is subjected, as merchandise, to all the accidents of supply and demand, all the variations of the market, the coined metal being no longer a merchandise, but having legal tender power, has a price which does not vary. In a peice of metal, coined according to

certain rules as to alloy, impression, size, shape, weight, the law becomes in a manner INCARNATE. It gives it the power of paying obligations, a virtue, a price, which the metal-merchandise could not obtain. It is not wrong to say that silver rises and falls in the market. In the territory of the States, however, where the law reigns and governs, the value of the Coin does not change. Our countrymen would be greatly astonished if they were to be told that the 5-franc piece which they laid by in 1873, which they put into a savings bank, or kept in their chests, has in the last five years performed all the somersaults outlined in the very instructive table which the Director of the Administration of Coins and Medals of Paris has kindly communicated to the Conference. The metal changes in value it is true; but as long as the State maintains itself the Coin does not change; it has actually and effectively the value which is indicated by its imprint."

SEC. 103. That legislation can and does influence value by increasing or diminishing the demand for a thing is an economic principle so well established that no well-informed man who has any regard for truth or consistency, will question it. The history of the silver legislation in this country fully attests this fact. When the Bland-Allison Act was passed in 1878, it created a demand for silver which did not exist prior to its passage; and by reason of this increased demand, caused solely by legislation, the price of silver rapidly advanced in all the markets of the world. Again in 1890, when the Sherman Act was adopted which increased the demand for silver from $2,000,000 worth of bullion per month to 4,500,000 ounces per month, silver bullion rose in value in a few days from 94 cents per ounce to $1.20 per ounce, not only in the United States but also in Europe. When the India mint, in 1893, was closed to the free coinage of silver, silver fell almost as much in value in five days. In view of all these facts, can there be any doubt that legislation did, in the instances named, affect the value of silver bullion?

CHAPTER X.

BIMETALLISM

SEC. 104. Bimetallism is defined by Webster to be "The legalized use of two metals (as gold and silver) in the currency of a country at a fixed relative value."

SEC. 105. The difficulty with many of the advocates of the gold standard is that they do not know what bimetallism is. They do not distinguish between money and a piece of metal; they think that gold is money and that the stamp of the Government upon a gold or silver coin is simply a certificate of the weight and fineness of the metal, and that neither the stamp nor the law authorizing its use and conferring upon the coin the money function adds anything to the value of the coin, and that its value depends exclusively on the value of the metal contained in the coin.

SEC. 106. This is the position taken by the gold standard advocates. From such premises is devolved the melting-pot fallacy which was so persistently urged during the campaign of 1896. The gold standard advocates insisted that the test of "good money," "sound money," "honest money," is the melting-pot. They said: "Put $100 in gold coin in the melting-pot and when melted the gold is still worth $100; but put $100 of silver coin into the melting-pot and when melted it is worth but $50. Hence gold is the only good money."

SEC. 107. Mr. Boissevain, a member of the Statistical Institute of the Netherlands, published a pamphlet of about 100 pages entitled "The Monetary Situation," which has been translated into the English language and extensively circulated in the United States by the gold standard advocates as an able exposition of the Science of Money. In this pamphlet Mr. Boissevain says:

"The right to coin money belongs to the government; but its object is no other than to insure the uniformity in the coins and their equal weight of fine metal. It is with the legislature whose object is to prevent uncertainty in the interpretation of contracts —that rests the power to decide what metal shall be used for the coinage, what money shall be legal tender. It is, however, not the fact of HAVING BEEN COINED THAT GIVES ITS VALUE TO THE METAL USED AS LEGAL TENDER, BUT THE COINS OWE THEIR VALUE ONLY TO THAT OF THE METAL ITSELF."

SEC. 108. It is difficult to understand how any man of ordinary intelligence—much less a man who professes to know something about the Science of Money—can say "coins owe their value *only* to that of the metal itself." There is not a banker or business man in the United States who does not know that the silver dollar in circulation in this country gets its value, as money, from the law and the impression it has received at the mint, and not from the metal it contains; and that would not refuse to receive it if the stamp was defaced or the law conferring on it the money function should be repealed; who does not know that the value of the metal contained in the coin is less than one-half of the value of the coin, and yet the gold standard advocates do not hesitate, at least many of them do not hesitate, to give publicity to such misleading and unwarranted statements as those promulgated by Mr. Boissevain.

SEC. 109. Mr. Boissevain lives in the Netherlands. The last official report shows that the coin money in use

at that time in the Netherlands consisted of $21,900,000 in gold (florins) and $52,700,000 in full legal tender silver (florins) coined at the ratio of 15½ to 1, and $3,400,000 in limited tender silver money coined at the ratio of 15 to 1. The full tender silver florins were at the date of that report and are today discharging the money function in the Netherlands at their face value, to all intents and purposes, as fully and completely as the gold florins, although the value of the metal they contain is less than one-half as much, florin for florin, as the value of the metal contained in the gold coin. If coin money "owes its value *only* to that of the metal itself," will Mr. Boissevain explain why it is that the silver florin readily passes as money for twice the value of the metal contained in the coin?

SEC. 110. Mr. Boissevain lives almost within stone's throw of France, and must know that in France there is in actual use as full legal tender money abeut $400,000,000 in silver francs, every franc of which is discharging the money function at its nominal or face value at par with gold, although the metal value of the silver franc is less than one-half as much as the metal value of the gold franc.

SEC. 111. Mr. Boissevain must know that in Europe there is at the present time nearly $700,000,000 in full legal tender silver money in circulation amongst the people, coined at the rate of about 15½ to 1, and more than $500,000,000 subsidiary silver money coined at a ratio of about 14 or 14½ to 1, and that this silver money is discharging the money function at its nominal value, equally as well as the gold money circulating side by side with it, while its commodity or metallic value is less than one-half that of the gold; and yet he says, "The coins owe their value *only* to that of the metal itself."

SEC. 112. Mr. Boissevain, being a member of the Statistical Institute of the Netherlands, may be a very good statistician; but from a perusal of his pamphlet it becomes evident that he is profoundly ignorant of the most elementary principles of monetary science; that he does not even know what money is; that he is not able to distinguish between money and a piece of metal; that his knowledge of political economy has been acquired, not by studying the masters, but by inspiration, and that he has been imposed upon by false prophets. He is, however, entitled to a seat on the same shelf with Wells, Atkinson, Laughlin and Giffen.

SEC. 113. Suppose I have a silver disc weighing 412½ grains, nine-tenths fine, precisely such silver as the Government uses in coining silver dollars. I go out on the streets of a large city and try to sell it. How many men can I find that will buy it? Probably there are not ten men in the city that want it. As a commodity it has but one use, it will answer but one purpose. If I find a man that wants it, then there is a haggling as to the price. I want fifty cents for it, and he offers forty cents only; we finally compromise, and I sell it for forty-five cents. Now I have another silver disc of precisely the same size, weight and quality of silver, but this one has passed through the mint, it has the stamp of the Government impressed upon it; it has been invested with the money function. Who wants this silver disc? Every man, woman and child in the city wants it. Is there any haggling about the price? Not at all. It is worth 100 cents. And every man, woman and child in the city will gladly take it at that price and pay for it with commodities or services. Is it not perfectly apparent that this silver disc does not get its value from the value of the metal it contains, but from the fact that it has been

invested with the money function? As a commodity it would answer but one purpose; as money it commands all things.

SEC. 114. The melting-pot theory as a test for money is what Terrence O'Brian, in the play of Peter Simple, calls "flapdoodle," "the stuff they feed fools on."

SEC. 115. The theory of the ordinary gold standard advocate is that in order to maintain bimetallism, both metals must be in circulation in equal volume at the same time, and at all times, and that the Government must at all times be prepared, able and willing to exchange gold for silver, or silver for gold, upon the request or demand of any citizen, or upon the request or demand of any Govenment, and that whenever the money coined from one of the metals is largely in excess of that coined from the other, or whenever one of the metals commands a premium over the other, or whenever the Government refuses to redeem the coins of one of the metals in the coins of the other, then bimetallism is overthrown. Entertaining these views, they insist that bimetallism did not, in fact, exist in the United States between 1792 and 1834, but silver monometallism, because most of the metal money in use in this country during that time was silver; and that since 1834 the United States has been upon a gold basis because since 1834 our metallic money has been mostly gold. They also claim that since 1803, France has been for a part of the time on a silver basis and for a part of the time on a gold basis, because at some times there was more silver, and sometimes more gold in circulation in France. Men entertaining such views ought to consult a dictionary for a definition of bimetallism.

SEC. 116. Bimetallism does not consist in the actual use of two metals conjointly, but in the right, under the law, so to use either of them at the option of the debtor

at a certain fixed ratio in the payment of debt. If one of the metals happens to be scarce and hard to obtain, and the other is abundant, or if one of the metals commands a premium in the other, the debtor would not be likely to spend much time in looking for the scarcer and dearer metal with which to liquidate his obligations, but would make use of that which was more abundant and cheaper; and so long as the bimetallic law remained in force it would make no difference to him whether gold or silver was most abundant, or whether none of one of the metals was in circulation. Even though one of the metals should entirely disappear from the country, bimetallism would remain a fixed fact as long as both metals had access to the mint on equal terms, at a fixed ratio, and the coins fabricated from each of the metals were equally invested with the money function, and the option was with the debtor to use either of them in payment of debt. Neither is it necessary in order to maintain bimetallism in any country that the government, at the demand of any person or of any government, should exchange one of the metals for the other. If both metals when coined into money at a certain ratio have equal debt-paying power, if both are equally invested with the money function for all purposes, they will be equally valuable as money in such country when so coined; if either should depreciate in monometallic countries, and such countries desire to obtain the dearer metal, the metal of their choice, the burden rests on such countries, and not on the bimetallic country, to pay the premium created by their short-sighted policy.

SEC. 117. It is not contended that, under a bimetallic law, gold and silver bullion will always remain at exactly the same relative value all over the world. Sometimes the bullion of one of the metals might command a slight

premium in the other, even in bimetallic countries. In bimetallic countries a slight premium might result from scarcity of either of the metals, from sudden and extraordinary demand for one or the other of the metals for use in the arts or manufactures, or from demand for export, but the premium in bimetallic countries would necessarily be slight, as any considerable premium would cause the coin of the metal for which a premium was offered to be melted. The premium could scarcely exceed the mint charge for fabrication and the cost of collecting the coins. In monometallic countries the premium might become considerably greater, because in addition to mint charges, cost of transportation from such countries to bimetallic countries, insurance, commissions, interest on money invested, etc., would have to be added. There might and probably would be fluctuations in the value of gold and silver bullion as above indicated.

SEC. 118. When we consider the effect of the French law of 1803 on the relative value of gold and silver bullion, and see that the fluctuation in their relative value in France from the legal ratio of 15½ to 1 never exceeded but very slightly in amount the discrepancy in mint charges, and that even in other countries the fluctuation in their value never exceeded the mint charges, plus cost of transportation, insurance, commission, interest and other incidental charges, and that the relative value of the coined money never fluctuated at all for three-quarters of a century, or so long as the mint was kept open, it amounts to a demonstration that any first-class nation can, with a bimetallic law faithfully executed, hold even the relative value of gold and silver bullion comparatively steady.

SEC. 119. While it is admitted by bimetallists that there may be a slight fluctuation from the legal ratio in the value of gold and silver bullion, arising from local

influences, they contend that there will not and cannot be any fluctuation in the value of the money, as money, coined from such bullion, or at least the value of the money coined from either of the metals, cannot fall below the mint ratio. They contend that it stands to reason that when a dollar coined from one metal is invested with all the functions possessed by a dollar coined from the other metal, when it will pay as much debt or buy as much commodity as the other, it will be just as valuable as money as the other, and that no man will pay more for one than for the other. If a person desires the gold or the silver in the coin for other than monetary purposes, he may pay a slight premium to obtain it, but no man will dispose of either for less than its money value, for he can always obtain that at the mint. So, while it might be possible that either of the metals, or coins of either of the metals, might command a slight premium, it would be impossible for coins of either to fall below their money, or face value. If a person desired to withdraw money from circulation for the purpose of hoarding and he believed there was more probability of silver depreciating in value than there was of gold, he would hoard gold. If he believed there was a greater probability of gold depreciating, he would hoard silver. If, however, he desired to use it as money, and the coins of both metals had equal monetary power, it would make no difference to him whether he received gold or silver. All this talk about there being a general preference among the people for gold money is the veriest nonsense. In ninety-nine cases out of one hundred when a man receives money he receives it because it is money and not because it is gold or because it is silver. Not once in one hundred does he think of it as gold or silver; all he cares to know is that when he desires to part with it others will receive it from

him at the same valuation that he received it. If he wanted money for small transactions he would probably prefer silver, and subsidiary silver at that, which usually has less commodity value than full tender silver coins. If he wanted to carry with him a somewhat larger sum he would probably prefer gold. If he desired to carry on his person a still larger sum he would in all probability prefer paper money, but in none of these cases would any thought of the commodity value of the money enter his head, he would be consulting only his own convenience.

SEC. 120. During the time the bimetallic law of France held the metals comparatively steady at the legal ratio of 15½ to 1, the production of the precious metals was as follows:

From 1803 to 1820, value of silver four times that of gold; from 1821 to 1840, value of silver two times that of gold; from 1841 to 1860, value of gold two and a half times that of silver; and yet the metals held together with but slight fluctuation from the French ratio of 15½ to 1, notwithstanding the enormous fluctuation in the quantity of the metals produced.

SEC. 121. Free coinage means that any person may present bullion at the mint and have it coined into money. Gratuitous coinage means that the bullion so presented at the mint will be coined into money and the same weight of fine metal in coined money will be returned to the person so presenting the bullion without any charge for fabricating the coin. Where bullion is received without limit from any person who may present it, and coined into money and returned to him in coin, the coinage is said to be free and unlimited although a seigniorage may be exacted for fabricating the coin. The word free as applied to coinage has reference to the right of access to the mint for coinage purposes, and no reference whatever

to seigniorage or mint charges. In order to place both metals upon an exact equality, the seigniorage or mint charge, if any is made, should be an ad valorem charge, the same charge being made for the same value of each metal.

SEC. 122. M. Rowland, Governor of the Bank of France, in discussing bimetallism, said:

"We have not to do with idle theories. The two moneys have actually co-existed since the origin of human society. They co-exist because the two together are necessary, by their quantity to meet the needs of circulation. This necessity of the two metals, has it ceased to exist? Is it established that the quantity of actual and prospective gold is such that we can now renounce the use of silver without disaster?"

SEC. 123. At a session (October 30th, 1873), of the Belgian Monetary Commission, Professor M. de Laveleye said:

"Debtors, and among them the States, have the right to pay in gold or silver, and this right cannot be taken away without disturbing the relation of debtors and creditors, to the prejudice of debtors to the extent of perhaps one-half, certainly of one-third. To increase all debts by a blow, is a measure so violent, so revolutionary, that I cannot believe that the government will propose it, or that the Chamber will vote it."

SEC. 124. The U. S. Monetary Commission of 1876 in their report, page 10, says:

"The philosophy of the double standard is that a rise in the value of money and a fall in general prices are the greatest evils which can befall the world, and its object is to prevent, as far as possible, the occurrence of these evils. It takes no precaution against a fall in the value of money, because in the whole history of the human race not a single instance can be pointed out of a fall in the value of either or of both of the metals which has not proved a benefaction to mankind; while on the other hand, during every period, and whenever a rise in the value of metallic money has occurred, it has been attended by financial, industrial, political, and

social disaster. An increasing value of money and falling prices have been and are more fruitful of human misery than war, pestilence, or famine. They have wrought more injustice than all the bad laws which were ever enacted. Under the double standard these evils could never occur, except by a rise in the value of both metals, while under the single standard they might be caused by a rise in the value of one of them."

SEC. 125. The phrase "Double Standard" does not mean two standards but one standard based upon two metals. Under a proper bimetallic law, where both metals have the same mint privileges, value for value, and coins from both of them are equally invested with the money function for all purposes when coined at the established ratio, they would be of equal value, and a dollar coined from silver and one coined from gold would no more constitute a double standard than two gold dollars or two silver dollars would constitute a double standard. Mr. Helm is unquestionably right in rejecting the phrase "Double Standard" as unmeaning and misleading and using the phrase "Joint Standard" in lieu thereof.

SEC. 126. Bimetallism does not necessarily mean an expansion of the volume of money. It is not at all probable that the total annual production of the precious metals, if not an ounce of either was consumed for other than monetary purposes, (and the amount being consumed in the arts, manufactures and for export to the Orient, equals three-fourths of the annual output), would more than keep pace with the increasing demand for money. The most that can reasonably be expected from it would be that it might check a further fall of prices. But if it should increase prices, if it should even, eventually, restore the prices prevailing in 1873, who would be injured? M. Chevalier, in his book written in 1857 on

the "Probable Fall in the Value of Gold," pp. 125-126, says:

"It follows, therefore, that if we would particularize the persons who will be more or less deeply affected by a fall in gold, we have only to select those whose income, expressed in monetary units, (the pound sterling in England, and the franc in France) will not find itself augmented, naturally and by self-adjusting process, in exact proportion to the fall in gold.

"All those persons whose income expressed in monetary units remains the same, would be injured by a change to the extent of a half of their income, (assuming that money should fall in value 50 per cent) all other things being equal. The national creditor is the characteristic type of this class of sufferers.

"All commodities, excepting gold, and every kind of property excepting that of which the income is from the present fixed, as is the case with government funds, ought, from the moment that the monetary crisis is terminated to have attained in the gold currency double the price which they are at present worth, upon the supposition quite arbitrary, I admit, of the depreciation reaching fifty per cent. Thus a house or a landed estate now worth £4,000 or 100,000 francs, would then sell for £8,000 or 200,000 francs. The HECTOLITRE of corn or of wine, the quintal of iron, or the METRE of calico will undergo the same rise, or at least if no change conducive to cheapness be introduced into the conditions of their production, or into the relations between the supply and the demand. It will be the same eventually with the wages of labor, and with all personal services, whether rendered in the factory or the farm, or from the liberal professions; we are warranted in believing that their value will have doubled.

"Thus, as a definitive analysis, the proprietors of land, houses, and other real estate, manufactures, merchants and their auxiliaries of every kind; public functionaries of all ranks; and also those who follow the different learned professions, will all find themselves in the end compensated in the new state of things with advantages equal to those which they now enjoy, all other things being equal. It is another class of persons, whom we have previously defined, in a general way, who would have to submit to a sacrifice in proportion to the fall in the precious metals."

SEC. 127. M. Chevalier concedes that manufactures

and their auxiliaries of every kind, public functionaries of all ranks, in fact all persons except the creditor classes will not be injured by a fall in the value of money. In speaking of rewards for services, and the value of property, he says: "We are warranted in believing that their value will have doubled." It is another class of persons, not the wealth producers, not the business men, not the workers in society, but the idle, non-producing, wealth-consuming class that will be injured. In re-reading the quotation from M. Chevalier it will be seen that the class for whom M. Chevalier is particularly solicitous is composed of those persons, "Whose incomes in monetary units remain the same," of which he says, "The national creditor is the characteristic type of this class of sufferers."

SEC. 128. If a fall in the value of money would injure the class of persons over whom M. Chevalier is shedding tears of sympathy, does it not necessarily follow that an appreciation in the value of money would benefit them? And have they not been reaping the benefits of an appreciating money continually since 1873? Notwithstanding the fact that they have been reaping a rich harvest from falling prices caused by a constantly appreciating money, bimetallists deny that these men have acquired a vested right to do so perpetually; and they insist, that prices should not be forced to a lower level, and they also insist that if by means of bimetallism, or by some other means, the general level of prices prevailing in 1873 should be restored, the creditor classes would have no just cause of complaint. If the price prevailing in 1873 could be restored, the prosperity and general business activity that would result therefrom would enable the wage-earning, wealth-producing classes to recuperate their waning fortunes.

SEC. 129. In the consideration of the question whether the adoption of international bimetallism would cause an inflation of prices, Professor Nicholson in his "Money and Monetary Problems," pp. 156-157, says:

"Assuming for the present that under any circumstances likely to occur the ratio, if fixed by international agreement, within any reasonable limits could be maintained—which was the unanimous finding of the Gold and Silver Commission—let us consider what would be the effect of a large increase in one or both of the two metals. The first thing to notice is that even if the annual supplies are largely increased within limits of all probable—if for example, they are doubled, or even quadrupled in twenty years—still the effect, having regard to the total mass, will be comparatively small. The quality which pre-eminently adapts the precious metals for a standard of value is their durability, with the result that their total mass is always great compared with the annual supply. Secondly, we must observe, that all of the increase in production does not go to coinage, but some part, and probably a large part, will be used in the arts. Thirdly, as already explained, under the quantity theory of money, the rise in prices will not be exactly proportioned to the increase in the quantity of metallic money. Fourthly, we must remember that under present conditions, at any rate the civilized world is growing in wealth, and population, and that in consequence there are greater demands on the precious metals. Thus, on balance, the conclusion appears to be that any increase in the annual production that is at all likely to take place would not so much tend to bring about an inflation of prices as to keep them from falling."

SEC. 130. There has never been a time in the history of the world when the total supplies of the precious metals have been sufficient to furnish the world with an adequate supply of money. Even when both of them had free access to the mint we have been obliged to supplement them with fiduciary money, and there is no probability that they will ever be sufficient to satisfy the ever-increasing demand for money. This being true, the act demonetizing silver may properly be designated, "An Act of Treason against the Human Race."

SEC. 131. The Royal Gold and Silver Commission of which Lord Herschell was chairman, composed of six monometallists and six bimetallists, probably the ablest Commission ever convened, unanimously adopted the following statement:

"When we examine the marked contrast which the period prior to 1873, presents to later periods, and the extensive changes in the relative production of the two metals which took place during the earlier period, it seems impossible to conclude that the circumstances connected with the supply sufficiently account for the altered conditions in the relative value of silver and gold since that date. In the forty years between 1833 and 1873, which include the period of the great gold discoveries, and the consequent increase in the available supply of that metal, but little change in the gold price of silver can be observed. In the ten years from 1831 to 1840, the proportion which the value of silver produced bore to that of the gold was as 1.86 to 1 in the five years from 1851 to 1855, the proportion had fallen to .288 to 1. Yet the market value of silver only varied between 15.75 to 1 in the former period, and 15.41 to 1 in the latter. On the other hand, if we compare the five years 1871 to 1875 with the five years 1876 to 1880, we find that the proportions borne by the production of silver to that of gold was .710 to 1 in the first period, and .794 to 1 in the latter. But this change, almost insignificant when compared with those to which we have called attention above, coincided with a fall in the market value from 15.97 to 1 to 17.81 to 1.

"Looking, then, to the vast changes which occurred prior to 1873 in the relative production of the two metals, without any corresponding disturbance in their market value, it appears difficult to us to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable. * * Undoubtedly, the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability is the year when the bimetallic system, which had previously been in force in the Latin Union, ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries, the

population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely 15½ to 1. * * * Nor does it appear to us A PRIORI unreasonable to suppose that the existence, in the Latin Union, of a bimetallic system, with a ratio of 15½ to 1 fixed between the two metals, should have been capable of keeping the market price of silver steady at approximately that ratio." (See "International Bimetallism," page 135.)

SEC. 132. The Commission also report that:

"We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to [The United Kingdom, Germany, United States, and the Latin Union] were to accept and strictly adhere to bimetallism at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent.

"We do not deny that it is conceivable that these anticipations might be falsified by some altogether unprecedented discovery of one or other of the precious metals, and that the maintenance of a stable ratio might then become difficult. But for practical purposes, we think we may put this aside and reasonably act on the assumption that no such grave dislocating cause is likely to arise. We have already drawn attention to the fact that, during the time covered by the great gold discoveries, the production of silver continued undiminished, and that of late years, when gold is said to have been appreciating, the production of silver has increased.

"Apprehensions have been expressed that, if a bimetallic system were adopted, gold would gradually disappear from circulation. If however, the arrangement included all the principal commercial nations we do not think there would be any serious danger of such a result. Such a danger, if it existed at all, must be remote. It is said, indeed, by some, that if it were to happen, and all nations were to be driven to a system of silver monometallism, the result might be regarded without dissatisfaction. We are not prepared to

go this length; but, at the same time, we are fully sensible of the benefits that would accrue from the adoption of a common monetary standard by all the commercial nations of the world, and we are quite alive to the advantages of an adoption by these nations of a uniform bimetallic standard, as a step in that direction." (See International Bimetallism, p. 204.)

SEC. 133. The monometallic members of the Royal Gold and Silver Commission were Lord Herschell, Sir C. W. Fremantle, Sir John Lubbock, Lord Farrer, J. W. Birch, and Leonard H. Courtney. The bimetallic members were Sir Louis Mallet, Henry Chaplin, A. J. Balfour, Sir. M. H. Houldsworth, Sir David Barbour and Sir Samuel Montague, all able men. While the first named members of the Commission conceded all the facts in the above quotations from their report they declined to recommend the adoption of bimetallism by Great Britain. The six bimetallists made a separate report, in which they refer to the above and other concessions in favor of bimetallism, in which report, they declare themselves in favor of:

"1st. The Free coinage of both metals into legal tender money.
"2nd. The fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor."

SEC. 134. Since making this report, (1887), Mr Courtney, one of the ablest financiers on the Commission has become a bimetallist and is now one of the most pronounced champions of bimetallism in England.

SEC. 135. Professor Nicholson, (see Monetary Problems, page 116), says:

"Opinions differ not on the desirability, but on the possibility of a remedy. I do not suppose there is any banker, or financier, or trader with a practical knowledge of the question, apart from a few who make a profit from speculative exchanges, who would not admit that if the old ratio between gold and silver, or the old narrow limits

of fluctuations could be re-established without disturbance, it would be on excellent thing for the industrial and financial world. The whole difficulty lies, in this, as in so many other cases, in this little word 'if'."

SEC. 136. No doubt Professor Nicholson is correct in saying that no banker or financier, or trader with a practical knowledge of the question, except a few who make a speculative profit from exchanges, denies the advantages that would accrue from a restoration of silver to its ancient position as a money metal. It is not the men, as a general rule, who have a practical knowledge of economic questions who oppose bimetallism in the United States. The question in this country is no longer an economic question, but a political one.

SEC. 137. Only a short time ago the great mass of the people in this country were practically a unit in favor of the restoration of silver to the position it occupied prior to 1873.

SEC. 138. Senator Allison, one of the delegates from the United States to the International Monetary Conference held in Brussels in 1892, in stating the wishes of the people of this country (see report, page 46), said:

"The people of the United States believe it to be practicable to freely use both metals for monetary purposes, and thus to establish a parity of value between them. The two principal parties of the United States are not divided upon this question, and the delegates to this Conference represent not only the party which is now in power, but also that which has been restored to power by the recent election of Mr. Cleveland to the Presidency. Our view as respects this question is held with singular unanimity by all the people of the United States as one for the promoting of the common interest of all nations. We desire to confer with you cordially and frankly upon measures adapted to promote the interest of all without seeking any special advantage for the United States. Our recent census shows the total value of all the products of our agriculture, of our forests, of our mines and of our industries to have been in 1890,

$13,000,000,000. The external commerce of the United States is increasing year by year and was in the last fiscal year larger than ever before. It is our interest to extend this production and to enlarge this commerce. Compared with these large values, the product of silver mining in the United States, which amounts in round numbers annually to $50,000,000, is, as you will see, not a large factor; but its monetary use affects, we believe, all these products, all values, and all exchanges of them. I should be glad to emphasize the fact that our interest in this matter grows out of our production and the commerce that follows it. Even if our mines should cease to produce silver our interest in this question, which we share in common with the commercial world, would be no less urgent."

SEC. 139. James G. Blaine, in a speech delivered in the United States Senate in 1880, said:

"I believe the struggle now going on in this country, and in other countries for a single gold standard, would if successful, produce wide-spread disaster in and throughout the commercial world. The destruction of silver as money and establishing gold as the sole unit of value must have a ruinous effect upon all forms of property except those investments which yield a fixed return in money. Those would be enormously enhanced in value and would gain a disproportionate and unfair advantage over other species of property. If, as most reliable statistics affirm, there are nearly $7,000,000,000 of coin or bullion in the world, very equally divided between gold and silver, it is impossible to strike silver out of existence as money without results that will prove distressing to millions, and utterly disastrous to tens of thousands. I believe gold and silver coin to be the money of the constitution, indeed, the money of the American people, anterior to the constitution, which the great organic law recognized as quite independent of its own existence. No power was conferred on Congress to declare either metal should not be money. Congress, has therefore, in my judgment, no power to demonetize either. If therefore, silver has been demonetized, I am in favor of remonetizing it. If its coinage has been prohibited, I am in favor of having it resumed. I am in favor of having it enlarged."

SEC. 140. Prior to 1896 it is universally conceded that an overwhelming majority of the people in this country

were in favor of bimetallism at the old ratio of 16 to 1. All political parties in framing their platforms were careful to insert a plank in favor of the free coinage of silver. The great leaders of the Republican party—Blaine, Garfield, Conkling, McKinley—in fact all the great leaders, were pronounced bimetallists. In 1896, however, certain influences were brought to bear upon the National Republican Convention sufficiently powerful to force through the Convention a platform containing the following plank:

"The Republican party is unreservedly for sound money. It caused the enactment of the law providing for the resumption of specie payment in 1879; since then every dollar has been as good as gold. We are unalterably opposed to every measure calculated to debase our currency or impair the credit of our country. We are therefore, opposed to the free coinage of silver except by international agreement with the leading commercial nations of the world, which we pledge ourselves to promote, and until such agreement can be obtained the existing gold standard must be preserved. All our silver and paper currency must be maintained at parity with gold, and we favor all measures designed to maintain inviolably the obligations of the United States, and all our money, whether coin or paper, at the present standard, the standard of the most enlightened nations of the earth."

SEC. 141. It will be seen that this plank recognized the desirability of bimetallism, provided it could be obtained through international agreement, and that it pledged the party to promote such agreement. Had it not been for this pledge, there is but little probability that the party could have held its more pronounced bimetallic members in line. Even with this pledge, hundreds of thousands of Republicans forsook the party, formed Silver Republican clubs and supported Bryan on a free coinage platform for the Presidency. But the Republican party, reinforced by the gold standard Democrats, and by the expenditure of a fabulous sum of money (over $20,000,000 is said to have been expended by that party in the Presi-

dential election of 1896) succeeded in electing McKinley. The Republican party has now, however, passed completely under the control of the money power. No pretense will hereafter be made that it favors even international bimetallism. It will hereafter stand unconditionally for a single gold standard and rely upon the glamour of wealth, the power of special privileges and the expenditure of large sums of money for its perpetuation in power. Bimetallism is, with them, no longer an economic question but a political one; the general welfare of the people and the prosperity and development of the country will not be considered; only the successes of the party will be regarded.

SEC. 142. At the annual meeting of the Republican League held in Omaha in July, 1898, a resolution was adopted which clearly indicates the position the Republican party will occupy on this question in the future. These Republican Leagues are composed of ultra partisans, of men who place the success of party above all other things, of men who hold office, or who have been promised an office and are impatiently waiting the fulfillment of the promise, men, as a rule, who are profoundly ignorant of the most elementary principles of political economy, and yet they hesitate not to commit themselves and the party they represent to a regime of perpetual falling prices, to a perpetual concentration of wealth in the hands of the few and of the perpetual debasement and degradation of the many. The resolution adopted is in the following words:

"We are uncompromisingly in favor of the maintenance of a single gold standard, and that the medium of exchange, of whatever form, issued by, or under the authority of the national government shall be maintained at parity with gold, the universal standard of the great commercial nations; and that every dollar coined or issued

under national laws shall have an equal purchasing and debt-paying power. We are unqualifiedly opposed to the free and unlimited coinage of silver, and re-affirm the St. Louis platform on this subject."

SEC. 143. It will be seen that this resolution does not favor even international bimetallism, but is *unconditionally* in favor of a gold standard and *unconditionally opposed* to the free coinage of silver. That will be the position of the Republican party in the future. That was really its position in 1896, but certain provisos were inserted which, by the money power, were understood to be meaningless, but which kept many free silver Republicans in line.

CHAPTER XI.

THE ADVANTAGES OF BIMETALLISM.

SEC. 144. Alexander Hamilton, in his report on the Mint, says:

"To annul the use of either of the metals, as money, is to abridge the quantity of circulating medium, and is liable to all the objections that arise from a comparison of a full, with the evils of a scanty circulation."

SEC. 145. Thomas Jefferson, in a letter to Mr. Hamilton dated February, 1792, said: "I concur with you that the unit must stand on both metals."

SEC. 146. Mr. Bagehot, in his testimony before the Commission on the Depression of Trade (see International Bimetallism, page 183), said:

"A great number of States which are grouped together in what is called the Latin Union, have ceased to coin silver ever since the year 1874, in the same manner which they did before. If it had not been for that change of policy, the silver which is now flooding the London market, and lowering the price would have been long since in the mints of these countries; it would have released gold from them, and the combined effect of the two operations would have been that the comparative value of gold and silver would have been very little altered, probably not at all."

SEC. 147. M de Normandie, Governor of the Bank of France, a delegate to the Monetary Conference of 1881, said:

"One sees demonstrated by facts, with crushing evidence, the superiority of the double over the single standard. In 1837-38-

39 a violent crisis raged in America. The Federal treasury withdrew its deposits from the United States Bank, and, to establish the metallic currency, inundated the English market with American paper. At London the situation became extremely serious, and the metallic reserve of the Bank of England fell from two hundred million francs to seventy-five million. * * * The Bank of England was even forced to recur to the Bank of France, which loaned it fifty million francs in credit values; itself, thanks to the French bimetallic system, scarcely feeling any shock from the catastrophe at New York and London. In 1848 raged the wheat crisis common to both countries. The Act of 1844 was suspended in England; loans ran only for thirty days; numerous failures upset the market, and discount arose to eight per cent. In France the crisis was promptly alleviated by selling to Russia national RENTES to the sum of fifty million francs, and discount was maintained at five per cent. In 1857 a new monetary crisis, answering to the crisis in America, occurs in France as in England; and this time, too, it is much the less intense on the French side of the Channel. The Bank of France is forced to raise its rate of discount to ten per cent., but only for a fortnight; while the Bank of England, whose gold had been in some sort drained by the United States, sees itself constrained to maintain for six weeks its discount at the excessive rate of ten per cent. * *

"In 1868 through the imprudent over-development of societies with limited responsibility, a new monetary crisis manifests itself, this time more intense. The Bank of England attacked by the withdrawal of species from circulation and by the exhaustion of its note reserve, again obtains the suspension of the Act of 1844; the rate of its discount varies, between January and the following July, between six, eight, and ten per cent. During this same year, the mean rate of discount at the Bank of France is not above four and one-half per cent. Thus in all the crises that have arisen at epoch so diverse, in circumstances so different, one sees the Bank of France less distressed than the Bank of England. In forty-five years from 1837 to 1881, the former modifies the rate of discount only one hundred times. The latter does this two hundred and eighty-two times. We may affirm without rashness that the French monetary system is not without influence in this result. The power which France possesses of recurring, alternately or simultaneously, to the two metals permits her not only to employ the one or the other according to circumstances, and to allay the

effects of their alternating scarcity, but also to come to the relief, not without profit to herself, of those of her neighbors who want now gold, now silver."

(See International Bimetallism, pages 196-7).

SEC. 148. Sir Guilford Molesworth, a distinguished English economist and financier, in a speech delivered before the International Monetery Conference of 1892, in speaking of the effect of the gold standard in England on the general prosperity of the people, pp. 142-3-4, said:

"The monetary system of England as a whole, has been from the first to the last a source of inconvenience and danger, and England has only been saved from serious disaster by the Bimetallism of France, notably at the time when the discoveries in California and Australia flooded Europe with gold. * *

"It must be evident to everyone who has studied the subject that the English Monetary system is most unsatisfactory. In 1828 Mr. Baring—no mean ruthority—pointed out the evils of our system, recommending a return to the double standard, which he showed to be less subject to those sudden jerks and changes so fatal to credit and to commerce. He urged that our single gold standard exposed the country to stringencies which cramped the currency and increased distress. * *

"During the seven years, 1883-1890, the Bank of France only changed its rate of discount seven times, whilst the Bank of England changed it sixty-two times, the variations in France only amounting to two per cent., whilst those in England amounted to four per cent. * *

"Then came the Baring failure, and our weakness was shown by having to call France to our aid. The currency of France has weathered, without difficulty storms to which the Baring failure was mere child's play; for example, the Franco-Prussian war, the communistic struggle, the war indemnity, the failure of the Panama Canal, of the metal ring, and of the comptoir d' escompte. * *

"Fortunately England, although her currency was nominally monometallic, practically enjoyed the benefit of Bimetallism, until 1873, except when she had to depend on gold for replenishing her bank reserves, and when she had to make large remittances of silver to India; and then she had to pay for her folly in the shape of an

agio for the privilege of her choice of the particular metal she might happen to require urgently. If she could have satisfied her requirements by either metal, she would not have been put to this expense. But so long as Europe, as a whole, remained practically Bimetallic, England in all her vagaries was kept tolerably straight by the double standard of France, which preserved the ratio of gold and silver throughout the world, until the link was broken in 1873.

"I repeat, 'It is gold that is sick, not silver.' and unless this fact be recognized by the members of this Conference it will be impossible to apply the proper remedy to the crisis which menaces us."

SEC. 149. Can there be any question as to which monetary system is the best—one which requires but seven changes in the rate of discount in seven years in order to maintain an equilibrium in exchange, or one that requires sixty-two changes in the same time? The bimetallic system of France, as Mr. de Normandie says, gave the Bank of France the power which she possessed of "recurring alternately or simultaneously to the two metals and permitted her not only to employ first one and then the other according to circumstances and to allay the effects of their alternating scarcity, but also to come to the relief, not without profit to herself, of those of her neighbors, who want now gold, and now silver." Since 1803 the monometallic Bank of England has repeatedly been obliged to borrow money from the bimetallic Bank of France to save itself from bankruptcy. Which is the better system, one that is obliged to borrow money or one that has mnney to loan in times of financial depression?

SEC. 150. Professor Jevons, in his "Money and Mechanism of Exchange," page 141, says:

"As to the equilibrating action of the double standard, no one who has inquired into the matter can doubt it any more than he can doubt that one scale of a balance will go up when the other comes down." (Quoted from "Internationa Bimetallism," page 133).

SEC. 151. In his "Investigations in Currency and Finance" page 304, Professor Jevons says:

"The French currency law has thus no doubt assisted to keep gold and silver at a nearly invariable price, as compared one with the other. * * * Although both gold and silver have, I believe, suffered considerable depreciation, yet relatively they have not varied more than five per cent. Some persons anticipated that the fall in the value of gold would be indicated by a rise in the price of silver, but they overlooked the fact that gold would spread itself into the channels previously occupied by silver."

I also quote from page 319 the following:

"I quite concede to MM. Wolowski and Cernuschi that the bimetallic system does spread fluctuations of supply and demand over a wider area. I have tried to explain in my book on 'Money and Mechanism of Exchange,' that gold and silver, free from the action of a legal ratio, are like two unconnected reservoirs of water, each liable to be raised and lowered in level by various accidents. Establish a communication between these reservoirs, and then each new supply spreads itself over a double area, and each new demand is supplied with less effect upon the general level. The legal currency ratio of 15½ to 1 actually does establish a communication of this sort between the reservoirs of gold and silver in the world." (Pp. 310–311.) In the latter part of the last century 15½ to 1 correctly represented the natural ratio. For some fifty years it was held pretty steady at this point by the action of the French currency law." (Quoted from "International Bimetallism," Walker, page 133.)

SEC. 152. The advantage of bimetallism over the single standard either of gold or silver, is perhaps as clearly shown in the illustration given by Mr. Jevons with his two reservoirs connected by a pipe as by any illustration ever given. Mr. Jevons, like all other well informed economists, recognized the fact that a sudden fluctuation in the volume of money is something that should be guarded against as far as possible, and he admits that bimetallism would be a powerful auxiliary in preventing sudden changes in its volume.

SEC. 153. In his illustration, one of his reservoirs represents the volume of gold money now in stock, the other represents the volume of silver money now in stock; the pipe connecting the two reservoirs represents the free coinage of both metals at a fixed ratio and the investment of the coins of both metals, equally and for all purposes, with the money function. If at any time the production of one of the metals should largely exceed that of the other, as for instance, silver from 1803 to 1820, during which time there was nearly four times as much in value of silver produced as there was of gold, or the period intervening between 1840 to 1860 when there was two and one-half times as much in value of gold produced as there was of silver, then, in either case, the metal of which there had been the greater production, being poured into its reservoir, would flow through the pipe into the other reservoir and each would be increased in volume in the same proportion, and neither would fluctuate in value so much as they otherwise would were it not for this equilibrating force, and they would not fluctuate at all as measured by each other. It very conclusively appears from this illustration that so long as both metals are equally invested with the money function at a certain legal ratio and both have access to the mint on equal terms that it is impossible for them to part company, and also, that the mint ratio, fixed by law, will control the relative value of the metals without any regard to the relative amount of the metals produced.

SEC. 154. Notwithstanding this splendid illustration given by Mr. Jevons, proving as it does, that the relative amounts of the metals produced would have no influence on their relative value so long as they have access to the mint on terms of equality, yet Mr. Jevons, in connection with the reasoning from which he deduces this conclusion,

speaks about a natural ratio between the metals. He says: "In the latter part of the last century 15½ to 1 represented the natural ratio. For some fifty years it was held pretty steadily at this point by the French currency laws."

SEC. 155. Although Mr. Jevons was one of the best informed political economists of Europe, and although he was usually correct in his conclusions, yet at times—when attempting to sustain or justify certain economic errors—as, for instance, gold monometallism, or his peculiar theory of the cause of financial crises—he made the most absurd blunders.

SEC. 156. The idea that there is, ever was, or ever can be, such a thing as a natural ratio between gold and silver, is as absurd as to suppose that there is a natural ratio between beef and potatoes. The ratio at which the two metals have been coined into money, is, and always has been, a legal and arbitrary one, and not a natural one. At the same time that the Roman Empire was coining gold and silver at the ratio of 12 to 1, the Moors in Spain were coining at the ratio of 6½ to 1 and other nations in Europe were coining at ratios ranging from 7 to 1 to 11 to 1. At the same time the Oriental ratio was about 6 to 1, but in all cases the ratio was a legal and not a natural one. In all cases the ratio was simply co-extensive with the boundaries of the kingdom formulating the law.

SEC. 157. That it is the law and not the relative amount of the metals produced that controls the coinage ratio is conclusively proven by a reference to the statistics of production and ratio of coinage during the present century. From 1803 to 1820 there was sixty-two times as much in weight of silver produced as of gold, and if the relative amount of production had controlled the ratio of coinage,

the ratio should have been 62 to 1. From 1820 to 1840 there was thirty-one times as much in weight of silver produced as there was of gold, and if the relative amounts produced controlled the ratio during this period, the ratio should have been 31 to 1. From 1840 to 1860 there was but six times as much in weight of silver produced as there was of gold, and the ratio of coinage should have been 6 to 1. During all this time, however, the mint coinage ratio of France of 15½ to 1 remained in force and controlled the coinage ratio of the world, notwithstanding the enormous fluctuations in the relative production of the metals.

SEC. 158. It is only necessary to consider the facts for a moment to become convinced of the absurdity of the *natural ratio* theory. There is no more reason in Mr. Jevons' natural ratio theory than there is in his attempt on another occasion to account for financial crises as being probably "connected with a periodic variation of weather, affecting all parts of the earth, and probably arising from increased waves of heat received from the sun at average intervals of ten years and a fraction." Both of these propositions are simply attempts to sustain certain economic errors in spite of facts that prove their falsity. (See Science Primer of Political Economy, by W. Stanley Jevons, page 120).

SEC. 159. Mr. Gibbs in his Colloquy on Currency, p. 232, says:

"The difference which the law of dual legal tender would bring about would be two fold. First, the silver which now comes into England is a purchasable commodity, like wool or anything else, and causes some additional employment of the currency of the country; whereas every ounce that would come in after our return to the old law would be of itself money, and would be available, as Sir Robert Peel said in 1844, for remittance abroad in discharge of debt; or else would supply withdrawals and render less necessary

the frequent changes in the rate of discount; besides, probably, maintaining the Bank Reserve at a slightly hihger level.

"Secondly, the scramble for gold would cease. It exists now and must continue, both because other nations have adopted gold as their standard money in competition with us, and because they see the gold price falling and don't know how low it may fall. There was no such scramble before 1873, and no such accumulations. France, for instance, had what was, under the then circumstances, a sufficient store in the Bank, £17,000,000; she now has £68,000,000, while the Bank of England has but £25,000,000."

SEC. 160. The world's production of gold since 1873 is estimated by our best statisticians at £434,570,000 sterling, of which two-thirds has been consumed in the arts or exported to the Orient, leaving but £145,000,000 for coinage purposes. Since 1873, there has been taken out of circulation, and is now held in reserves of various kinds, in war chests, and in national treasuries, gold as follows:

In Germany	£115,000,000
Italy	20,000,000
Russia	70,000,000
Holland	4,000,000
United States	120,000,000
Scandinavia	10,000,000
Austria	6,000,000
Bank of France	19,000,000
Total	£364,000,000

The above figures are taken from "A Colloquy on Currency," page 115, published in 1894, and refer to conditions then existing. The amount now held in reserve has been largely increased.

SEC. 161. This £364,000,000 is a new demand for gold created since 1873; nearly all of which is out of circulation. A portion of the gold in the United States is in circulation, but only a small portion. Except on the

Pacific Coast very little gold is found outside of the banks. Deducting the £145,000,000 coined since 1873, and making no allowance for loss by accident and private hoards, we find an actual contraction in the metallic money available for use, of £219,000,000, (or $1,095,000,000).

SEC. 162. Professor John E. Cairnes, writing in 1860, shows the decided superiority of bimetallism over a monetary system based on either of the metals by preventing those sudden and great changes in the value of the money unit that would be liable to occur if either were adopted as the sole standard of value. He says:

> "The crop of gold has been unusually large; the increase in the supply has caused a fall in its value; the fall in its value has lead to its being substituted for silver? A mass of silver has thus been disengaged from purposes which it was formerly employed to serve; and the result has been that both metals have fallen in value together, the depth of the fall being diminished as the surface over which it has taken place has been enlarged."

SEC. 163. Professor Emile de Laveleye, who was one of the foremost economists of Europe, in speaking of the injustice resulting from the demonetization of silver, increasing as it does the burdens of the wealth producers, and particularly of the wrong done to the debtor classes, said:

> "In the Greek democracies, the legislators, and noticeably Solon, reduced sometimes all debts by law, in order that the people might not be brought to misery by usurers. After the discovery of America and the placers of California and Australia, Nature, and not law, reduced the weight of debts by increasing the quantity of money. Today an arbitrary law has favored creditors in a most unjust manner, inasmuch as everywhere—as in England before 1816—the people had previously the right to pay their debts in either metal, whereas they are now forced to pay exclusively in gold, at a time when that metal is becoming more and more scarce. What could be more odious? * * Let us hope the future

leaders of the English democracy will see that the iniquitous monopoly accorded to gold, sacrifices the most active part of the nation to the idle part, and that they will restore to the two precious metals the role which science, history, commerce, and the free consent of the peoples had guaranteed them throughout the past."

(See Report International Monetary Conference, 1892, p. 264).

CHAPTER XII.

BIMETALLISM IN FRANCE.

SEC. 164. France established the ratio of 15½ to 1 between siiver and gold in 1785. It was understood at the time of the adoption of this ratio that gold was overvalued, and such overvaluation of gold was made for the express purpose of attracting gold into the kingdom. In 1790, a commission having been appointed to inquire into and ascertain the actual relative value of the two metals, recommended that the value of gold be reduced and the ratio fixed at 14.87 to 1, for the reason that the ratio adopted in 1785 encouraged the exportation of silver. The recommendation of the committee was not concurred in. Again, in 1803 an effort was made to bring the coinage ratio nearer to that of the ratio of the surrounding nations, but after an extended discussion the ratio of 15½ to 1 was re-enacted and still remains the coinage ratio of France. In 1790 the coinage ratios of the surrounding States was as follows·

England	15.23	Austria	14.52	Geneva	14.71
Holland	14.44	Saxony	14.77	Venice	14.82
Flanders	14.51	Tuscany	14.51	Genoa	14.91

(See International Monetary Com., 1878, p. 280).

SEC. 165. It will be seen from the above that not one of the surrounding States gave gold as high a valuation as the French ratio adopted in 1785 and re-adopted in 1803.

The nearest approximation was in England, where the ratio was 15.23, all of the other ratios being below 15 to 1. It will also be seen that the oft-repeated statement that the ratio of 15½ to 1 was adopted by France in 1803 because that was, at the time, the exact commercial ratio, is in keeping with the assertion that the ratio adopted in the United States in 1792 was the commercial ratio at that time, and that neither of said statements has any foundation in fact.

SEC. 166. Mr. Gibbs, in the Appendix to his "Colloquy on Currency," Table G, publishes a tabulated statement showing the highest and the lowest agio (premium) on gold and silver at the Bank of France for each month from January, 1821, to June, 1894, both inclusive. It appears, from this tabulated statement, that at no time between January 1, 1821, and September 1, 1873, was silver at a discount; that for seventeen months silver was at par; for twelve months of the time there were no quotations on silver, and that for the remaining 603 months silver commanded an agio or premium ranging from 1 per mille to 38 per mille; that for fifteen months there were no quotations on gold, for thirty-three months gold is quoted at par, for forty-nine months gold is quoted at a discount ranging from ½ per mille to 3¾ per mille, and that for the remaining 535 months gold is quoted at a premium ranging from ½ per mille to 20 per mille, except for the months of March, April and May, 1848, when the maximum agio on gold reached 65 per mille for March and April, and 24½ per mille for May.

SEC. 167. The large agio on gold in March, April and May, 1848, was occasioned by the large advances the Bank was required to make to the Provisional Government and to the City of Paris on account of the revolution of 1848 and has no economic significance. The agio on

gold, except for the months of March, April and May, 1848, at no time between 1821 and 1873 exceeded 20 per mille, or 2 per cent. The option to pay in gold or silver was with the Bank, and the Bank hesitated not to exercise this option. If England, for instance, required a large amount of silver for Indian export and drew on the Bank of France for silver, the Bank could, and did, demand a premium which England was obliged to pay to obtain it. If, at another time, or at the same time, some other country required gold for certain purposes and drew on the Bank of France for gold, the Bank could and did demand a premium on gold.

SEC. 168. It will be seen by reference to the tabulated statement that sometimes the agio was greater on gold than on silver, sometimes greater on silver than on gold, and that for more than nine-tenths of the time intervening between January 1, 1820, and September 1, 1873, the Bank of France could, on account of the bimetallic law of France, which gave the debtor the option of payment in either metal, demand and enforce the payment of a premium on either of the metals, or on both at the same time, when either might be required from any country that had but one of the metals in stock.

SEC. 169. Mr. Gibbs, in his "Colloquy on Currency," page 50, in discussing Bimetallism in France, and in reviewing the position taken by Mr. Giffen, says Giffen is wrong when he says that France was practically on a silver standard from 1803 to 1850. He also says:

"That Currency, the money chiefly in use, is one thing, and the legal money standard another. Whatever might have been the money in current use in France in those years matters not at all, provided that the mint was open for the coinage of both metals equally at a fixed ratio with vis liberatrix. * * What has the absence or presence of Gold in France to do with the matter?

The law gave a certain choice to the debtor. If there were no gold to be got, he certainly would not trouble himself about paying in gold."

SEC. 170. Mr. Huskisson, writing in 1826, says that at no time between 1803 and 1826 had the agio on gold coin in France exceeded one-fourth per cent; that sometimes there was no agio at all. Sometimes there was an agio on silver and sometimes there was an agio on both gold and silver at the same time. Mr. Gibbs says that the agio resulted from a demand for export. Under the law of France, no man could demand specifically gold or silver, but only money; the option to pay in the coins of either metal was with the debtor. (See "Colloquy on Currency," page 103).

SEC. 171. It is claimed by monometallists, at least by some of them, that the French law utterly failed to maintain a parity between the metals, and that its failure is conclusive evidence that bimetallism is an impossibility. They point to the quotations and the price of silver bullion in the London market for each of the years from 1803 to 1873 and gravely inform us that as it seldom happens that for two consecutive years the quotations are exactly the same, it is evident that the French law was a failure, and that any law which may attempt to maintain a parity will be a failure. They concede that the fluctuation in the price of silver from year to year was not great, seldom exceeding one or two cents on the ounce, but that it was enough, they say, to prove the impossibility of maintaining the parity at any ratio. The difficulty with these gentlemen is that they do not distinguish between money and a piece of metal.

SEC. 172. What bimetallism proposes to do is not to maintain an exact parity between gold and silver bullion, but between gold and silver coin, fabricated from the

bullion, at a fixed ratio. This it has done, and this it can do. Under a proper bimetallic law there will be but trifling fluctuation in the relative values of gold and silver bullion, even in countries still under the monometallic regime; and no fluctuation in the value of the money coined from them in the country where the bimetallic law prevails.

SEC. 173. I now propose to show that the fluctuation shown in the quotations of the price of silver bullion in the London market arose from two causes: First, imperfection in the French law itself; and, secondly, from costs accruing and expenses incurred in transporting bullion to and from the French mint.

SEC. 174. A bimetallic law, in order to produce perfect results, must place the metals upon an exact equality at the designated ratio. This the French law did not do. It fixed the ratio between gold and silver coins; it conferred upon those coins equally the money function, but it did not fix, nor attempt to fix, any ratio between gold and silver bullion. It provided that the silver in the silver five-franc piece should weigh fifteen and one-half times as much as the gold in the gold five-franc piece. This ratio has been maintained without variation since 1803. The mint price of the bullion has, however, undergone various changes. The mint charges for coining gold and silver bullion were fixed in the law of 1803 at 9 francs per kilogram of standard gold, and 3 francs per kilogram of standard silver. The kilogram of standard silver contains 200 francs, and that of standard gold 3,100 francs. The mint rate, therefore, stood under the French law as approved in 1803, not 15½ to 1, but as 3,091 to 197, or 15.69 to 1. In 1835 the mint charge on silver was reduced to 2 francs per kilogram, and on gold to 6 francs. The mint ratio, therefore, became as 3,094 to 198, or 15.626 to 1, and so

remained until 1850. In 1850 the mint charge on silver was reduced to 1 franc 50 centimes per kilogram. The mint ratio, therefore, became 3,094 to 198.50, or 15.586 to 1, and so remained until 1854, when the mint charge on gold was raised to 6 francs 70 centimes per kilogram. The mint ratio, therefore, became as 3,093.30 to 198.50, or 15.583 to 1, at which rate it now stands. (See International Monetary Conference of 1878, page 687).

SEC. 175. It is impossible, even in a bimetallic country, to maintain the exact ratio between gold and silver bullion that is fixed by law as the ratio of gold and silver coins, unless the coinage is gratuitous, or unless the seigniorage or mint charge is an ad valorem charge calculated on the value of the bullion. That is to say: If the ratio between the coins is 16 to 1 the mint charge for coining an ounce of gold should be 16 times as much as the mint charge for coining an ounce of silver. The mint charge must be upon value and not upon weight. In no other way can the bullion value of the two metals be kept exactly at the coinage ratio. The fluctuation will not be great, will seldom exceed the difference between the actual charge and an ad valorem charge for the fabrication of the coins. This becomes evident when we observe the effect of slight changes in mint charges under the French bimetallic law of 1803.

SEC. 176. In an able article in the *Quarterly Journal of Economics*, January, 1896, by Professor Willard Fisher of the Wesleyan University, discussing the causes of fluctuations in the value of silver bullion between 1803 and 1873 and reviewing a previous article of Professor Laughlin's, Professor Fisher says:

"Professor Laughlin utterly fails to grasp what Bimetallists claim for, and expect from, their system; and he makes the same mistake made by Mr. Robert Giffen in his 'Case Against Bimetallism.'

"They both think that if the French law of 1803 had any effect upon the market value of the precious metals, it must have kept the commercial ratio at exactly 15½ to 1; and, in citing the familiar fact that the market figures fluctuated up and down, but rarely, if ever, coincided with the mint ratio, they complacently assume that they have refuted the historical argument for Bimetallism. But it is absolutely certain that no such identity of ratios could be expected even by the most confident Bimetallists. So long as there are seigniorage charges, freight charges, insurance fees, or any other expenses involved in passing metal through the mint, the nominal legal ratio is never the effective mint ratio. The inefficiency of the French law in steadying the relative value of the precious metals can never be proved by citing differences between the market ratio and the nominal legal ratio, unless it be shown that the differences are greater than may be accounted for by: (1) Seigniorage and all other mint charges; (2) Cost of transporting the metal from the market whose ratio is cited to the mint; (3) Fees for insurance during transit; (4) Agents' commissions; (5) The interest on capital temporarily locked up; (6) Exigencies or sudden and urgent demand. But no man has ever so much as attempted to examine thus fully the deviation of the London market from the French mint ratio. Let just a simple hint as to the effects of these various charges and expenses suffice."

SEC. 177. Sir Guilford Molesworth, delegate from British India to the International Monetary Conference of 1892, in an address to the Conference, (see page 225) in speaking of the influence of the French law of 1803 in holding the metals together, said:

"Now let us see what France has accomplished almost single-handed. For seventy-three years she has kept the whole world practically bimetallic. It is true that during the last few years of that period she was helped by the Latin Union, but she was the moving spirit. She preserved the equilibrium of gold and silver approximately stable at the ratio of 1 to 15½, in spite of almost overwhelming influences tending to disturb the equilibrium. First, the American ratio for a long period, was 3¼ per cent. higher, and for another period 3¼ per cent. lower than the French ratio. At one period the relative production of gold was 65 per cent. less than that of silver; at another period it was more than 200 per cent.

greater. At one time silver coinage almost ceased; at another time gold coinage almost ceased. At various periods England, whose obligation could only be satisfied in gold, was, as Baring has told us, forestalled by others speculating on the bank's own necessities. At other periods, Germany and India, whose obligations could only be satisfied with silver, were exposed to similar influences tending to create an agio on the metal that might happen to be urgently in demand. * With such remarkable experience to guide us, it appears probable that the United States of America, if they had the courage to make the plunge, might keep the equilibrium single-handed; at all events, a combination with the Latin Union, would place the matter beyond a doubt. The addition of India and England would make the combination unnecessarily strong. Other nations might, or might not join, but their adhesion or abstention would be a matter of no practical importance, for with such a combination the world would be practically bimetallic."

SEC. 178. The discovery of gold mines in California and Australia resulted in the production of such vast quantities of gold that the creditor classes set on foot a scheme for its demonetization. These gentlemen, at that time, as afterwards in 1873, becoming alarmed at the thought that by means of the abundant money the debtors might possibly be able to discharge their obligations, and become, in fact as well as in name, free men, inaugurated a war of extermination against gold, and they succeeded in inducing Holland, Belgium, Austria and several of the German States to demonetize their gold coins. Russia, at that time a heavy producer of silver, influenced by the same arguments, passed an edict preventing its exportation from Russia. France, however, refused to become a party to this scheme of demonetization, and adhered strictly to her cherished principle of bimetallism, and it was soon found that as long as France kept her mints open to the unlimited coinage of both gold and silver at her ratio of 15½ to 1, it was impossible for gold to fall much below that ratio. M. Chevalier, the leading mono-

metallist of France, admitted that the maximum effect of the gold discoveries of California and Australia was to change the silver price of that metal 4½ per cent.; and Professor Jevons, a gold standard advocate of Great Britain, says that the whole *permanent* effect of the California and Australian discoveries was not above 1½ per cent. When we take into consideration the fact that in the short space of twenty years the gold money of the world was doubled by these discoveries, and that several nations, frightened with the doleful cries of the money lords, demonetized their gold coins and threw their stock of gold upon the market, and that during the same time, but very little silver comparatively speaking was produced, and notwithstanding all these facts, France with her bimetallic law of 15½ to 1, unaided and alone was able to hold the commercial values of the two metals comparatively steady in all the markets of the world, and that the whole *permanent* effect of all these causes combined did not cause the value of gold as measured by silver to decline more than 1½ per cent., who will have the hardihood to say that the bimetallic law of France was a failure?

CHAPTER XIII.

GOLD STANDARD IN ENGLAND.

SEC. 179. That the gold standard has been a curse to England, and to every other country where it has been adopted as the sole standard of value, there can be no question. The act demonetizing silver in England was adopted in 1816. At that time the money in use in England was depreciated inconvertible paper money. Specie payments had been suspended in England in 1797, and were not resumed until several years after the demonetization of silver. A very interesting and instructive account of the fluctuations in the value of paper money during the period of suspension of specie payments is given by Leonard H. Courtney in the article on Banking in the Ninth Edition of the Encyclopedia Britannica, Vol. III., page 320, from which I quote the following:

"It had been generally supposed, previous to the passing of the 'Restriction Act' that bank-notes would not circulate unless they were immediately convertible into cash. But the event showed that this was not really the case. Though the notes of the Bank of England were not at the passing of the 'Restriction Act' declared by law to be legal tender, they were rendered such in practice, by being received as cash in all payments on account of Government, and by the vast majority of individuals. For the first three years of the restriction, their issues were so moderate that THEY NOT ONLY KEPT ON A PAR WITH GOLD, BUT ACTUALLY BORE A SMALL PREMIUM. But in 1801, and 1802, and 1803, they were so much

increased that they fell to a discount of from eight to ten per cent. In 1804 they again recovered their value; and from that year to 1808, both inclusive, they were at a discount of 2½ per cent. In 1809 and 1810, however, the directors appear to have embarked on a new course, and to have entirely lost sight of the principles by which their issues had previously been governed; for the average amount of bank-note circulation, which had not exceeded 17½ millions nor fallen short of 16½ millions in any one year from 1802 to 1808, both inclusive, was in 1809 raised to £18,927,833, and in 1810 to £22,541,523. The issues of country banks were increased in a still greater proportion; and as there was no corresponding increase of the business of the country, the discount on the bank-notes rose from 2½ in 1808 to from 13 to 16 per cent. in 1809 and 1810. +
In 1812 it was at an average discount, as compared with bullion, of 20 per cent.; in 1813, of 23 per cent.; and in 1814, when the maximum of depreciation was attained, it was at 25 per cent."

SEC. 180. The above facts afford conclusive evidence that it is not necessary that paper money should be redeemable in coin in order to maintain its value, but that its value is determined by its volume; and also proof of the fact that, if sufficiently limited in volume, it will command a premium in gold coin.

SEC. 181. The Resumption Act of 1819, commonly called "Sir Robert Peel's Act," provided that specie resumption on a gold basis—silver having been demonetized in 1816—should take place in 1823. In order to accomplish specie resumption it was well understood that it would be necessary not only to contract the volume of money but also to contract credits, and accordingly the policy of contraction was vigorously prosecuted. Sir Archibald Alison describes the effects of the monetary legislation of this period upon the people in general and upon the country, and shows that everybody except the great capitalists was injured, but that capitalists fattened on the spoils. He says:

"The capital which had been realized during the war [with Napoleon] had been so great, the influence of the moneyed interest so powerful, that the Legislature became affected by the desires of its possessors. The monetary bill of 1819, before many years had elapsed, added 50 per cent. to the value of money and weight of debt and taxes. + Small landed proprietors were generally ruined from the fall of prices; the magnates stood forth in increased luster from the enhanced value of their revenues. Industry was querulous from long continued suffering; wealth ambitious from sudden exaltation." (See Continuation of History of Europe, Volume 1, page 3).

He also says:

"The effects of this sudden and prodigious contraction of the currency were soon apparent, and they rendered the next three years a period of ceaseless distress and suffering in the British Isles. The accommodation granted by the bankers diminished so much, in consequence of the obligation laid upon them of paying in specie, when specie was not to be got, that paper under discount at the Bank of England, which in 1810 had been £23,000,000 and in 1815 not less than £20,660,000, sank in 1820 to £4,672,000, and in 1821 to £2,722,000. The effect upon prices was not less immediate and appalling. They declined in general within six months to HALF THEIR FORMER AMOUNT, AND REMAINED AT THAT LOW LEVEL FOR THE NEXT THREE YEARS. Distress was universal in the latter months of 1819; and that distrust and discouragement was felt in all branches of industry, which is at once the forerunner and the cause of disaster."

SEC. 182. Sir James Grahan in his work entitled "Corn and Currency," published in 1826, says:

"Whether we regard private debts or public burdens, the effects of the measure of 1819 have been to enact that for EVERY LESS SUM OWING A GREATER SHALL BE PAID; prices falling, but pecuniary engagements remaining undiminished, the farmer has no profit, the landlord no rent, the manufacturer no customer, the laborer no employment; a revolution of property and a derangement of the whole frame of society must necessarily ensue. + Amidst the ruin of the farmer and the manufacturer, the distress of the landlords, and the insurrections of the populace without bread

and without employment, one class flourished and was triumphant; the annuitant and the tax-eater rejoiced in the increased value of money; in the sacrifice of productive industry to unproductive wealth, in the victory of the drones over the working bees."

SEC. 183. Senator Jones in his October, 1893, speech, page 241, in discussing the evil effects resulting from the adoption of the gold standard in England, says:

"At the demand of the creditor classes the gold standard was adopted in England after the Napoleonic wars, in order that the war debt, a large portion of which was incurred in paper, might be paid in gold. In his Financial History of England, Mr. Doubleday states his belief that for a portion of the war period the pound note, with which the public securities of Great Britain were bought, was not worth in specie over 7 or 8 shillings in the pound—about 33 to 38 per cent. The debt being afterwards by law made payable, pound for pound in gold, it is obvious that the bondholders of Great Britain mulcted the people of that country, as, at a later period, the public creditors of the United States mulcted the people of this country."

SEC. 184. At the time of the adoption of the Resumption Act in 1819 there were 160,000 land-owners in Great Britain, in seven years in consequence of the ruinous fall in prices, the land-owners had been reduced to 30,000. In the short space of seven years 130,000 men, who, prior to 1819 were prosperous and happy as landed proprietors, were reduced to the position of tenants on land they formerly owned, or turned adrift to wander as vagabonds over the face of the earth. This is a part of the price paid by England for her gold standard, but a part only as the distress in every branch of industry, occasioned by those twin acts of infamy, that of 1816 and 1819, were nearly as great, and have only been equalled by the wrong and injustice inflicted on humanity by those other two infamous acts of legislation in this country—the acts of 1873, which struck the silver dollar from the list of coins and that of 1874, which deprived it of its legal tender, debt-paying power.

CHAPTER XIV.

DEPRECIATION OF SILVER.

SEC. 185. People wonder why miners can still produce silver when silver, they say, has fallen in value 50 per cent. The difficulty in their reasoning is that their premises are false. Silver has not fallen in value 50 per cent. The purchasing power of silver was as great in 1893 as it was in 1873. Since 1893 it has declined in value somewhat, but not nearly as much as gold has appreciated in value. The divergence in value between the metals has been caused chiefly by an appreciation in the value of gold.

SEC. 186. Sir Guilford Molesworth in the 1892 International Monetary Conference, page 139, said:

"A very distinguished member of this Conference has likened silver to a sick man whose state has been but aggravated by the medicines which have been administered to cure him; but I think that this is not surprising, inasmuch as the physicians have not merely mistaken the character of the illness, but they have mistaken the invalid. It is gold who is the sick man, not silver. They have mistaken the bloated condition of gold for a symptom of health, whereas it is the symptom of a dangerous disease which now threatens to develop into a fearful crisis, which, as M. de Rothschild says, would be frightful to contemplate."

SEC. 187. Professor Marshall, in his testimony before the Royal Gold and Silver Commission in answer to Question 9,625, said:

"As regards the depreciation of silver, I am rather puzzled by the statement in the warrant appointing the Commission that it is to inquire into the depreciation of silver. I do not admit that silver has depreciated in the sense that it has less general purchasing power. I think it has appreciated and has now higher purchasing power as regards commodities than it had before." (Quoted from Walker's International Bimetallism, page 216).

SEC. 188. The London *Statist*, November 5, 1892, contained the the following:

"We have seen that between 1873 and 1890 all gold prices fell ruinously. We have also seen that during the same period silver prices did not fall; in other words, that while a smaller quantity of gold year after year, exchanges for a larger quantity of all other commodities, silver included, the same quantity of silver, or nearly the same exchanges for the same quantity of all other commodities, gold excluded. Does it not necessarily follow that it was the conditions which determined the value of gold, which altered, and not the conditions which determined the value of silver, or to put the matter in perhaps plainer language, does it not necessarily follow that the value of silver during the last twenty years has been far more stable than the value of gold?"

SEC. 189. Prior to the closure of the Indian mint in 1893, the purchasing power of silver as measured by commodities had not fallen at all. It is probable that since that time there has been a slight depreciation, but not enough to check the production of silver. The value of silver produced in 1893, rated at the ratio of 16 to 1, was $214,000,000. The value of that produced in 1896 was $213,000,000, substantially the same. In 1897 it was $236,730,300.

SEC. 190. It is impossible to tell whether gold has appreciated in value, or whether silver has depreciated, by comparing the two metals with each other. We know that the ratio between the metals in 1873 was about 15½ to 1, and we know that now it is about 34 to 1. We see that a great divergence between the values of the two metals has taken place. This divergence might have been caused either by a fall in the value of silver, or by a rise in the value of gold, or there may have been changes in the value of both of them producing this result. We can determine which has changed in value, or purchasing power, only by comparing each of them with

commodities. If we find that gold will exchange for the same or for nearly the same amount of commodities now that it would in 1873, and that silver will exchange for only about one-half as much as it would at that time, then we must conclude that silver has fallen in value as measured by commodities 50 per cent.; if, on the contrary, we find that silver as measured by commodities has the same purchasing power, or nearly the same as it had in 1873, and that gold on the average will exchange for twice as much as it would in 1873, then we must find that gold has appreciated in value 100 per cent.

SEC. 191. Professor Nicholson in his "Money and Monetary Problems," page 135, gives the following list of articles and the value of each as measured by gold bullion and by silver bullion in 1867-77 and in 1893:

TABLE I.

Ten ounces of silver at the average price in	1867-68	1893
Would exchange for	Lbs.	Lbs.
English Wheat	429	541
Town-made Flour	299	319
German Beet Sugar	299	222
Common Bar Iron	667	665
Mid. up. Cotton	65.5	77
English Lead	269	341
English Wool	30	35
Leather	37	24

TABLE II.

123.27 grains of standard gold at the average price of	1867-77	1893
Would exchange for	Lbs.	Lbs.
English Wheat	171	349
Flour	122	215
Sugar	93	149
Iron	272	448
Cotton	26.6	52
Lead	109.3	229.7
Wool	12 15	23.4
Leather	15	18.6

SEC. 192. It will be seen from the above tables that silver as measured by commodities had not declined in purchasing power prior to 1893, but had slightly appreciated, and that gold had nearly double the purchasing power in 1893 that it had in 1867-77. Does not this conclusively prove that the divergence between the metals has been caused not by a depreciation in the value of silver, but by an appreciation in the value of gold, and that Sir Guilford Molesworth was right when he said it was gold that was the sick man? And is it not, also, conclusively shown by the above facts that silver has been much more stable in value since 1873 than gold?

SEC. 193. The average prices of commodities are determined by "Index Numbers" calculated on the average wholesale prices of a large number of commodities extending over a series of years. Tables of "Index Numbers" have been prepared by different statisticians, and while they substantially agree, yet those prepared by Mr. Sauerbeck are usually regarded as having been prepared with greater exactness than those by other statisticians.

SEC. 194. Mr. Sauerbeck's "Index Numbers" are calculated from the annual average wholesale price of the following forty-five commodities:

English wheat	Pig-iron	Copper	Flour
American wheat	Iron bars	Tin	Barley
Prime beef	Java sugar	Lead	Oats
Middling beef	Coal (London)	Jute	Maize
Prime mutton	Coal (export)	Silk	Potatoes
Middling mutton	Wool (Merino)	Hides	Rice
Coffee (two sorts)	Wool (English)	Leather	Pork
Tea (two sorts)	Soda crystals	Tallow	Bacon
West India sugar	Petroleum	Seed oil	Butter
Nitrate of soda	Palm oil	Indigo	Flax
American cotton	Olive oil	Timber	Hemp
Indian cotton			

SEC. 195. The basis of comparison is the average annual wholesale price of the forty-five commodities for

the eleven years 1867-77 inclusive. The average price is represented by the symbol 100; and variations from this figure above or below indicate the average rise or fall above or below the average price of the eleven years.

SEC. 196. The eleven years 1867-77 inclusive include the four years of low prices succeding the panic of 1866, the three years of rising prices, 1871-73, and the first four years of the great fall which has occurred since 1873.

SEC. 197. The purchasing power of gold and the purchasing power of silver rated at their commodity or "market value" compared with the basis or symbol number, 100, representing the average price for the period 1867-77 is shown in the following "index numbers:"

DEPRECIATION OF SILVER

Year	Forty-Five Commodities	Purchasing Power of Gold	Purchasing Power of Silver
1867–77	100	100	100
1870	96	104.6	103.7
1871	100	100.7	99.7
1872	109	91.7	91
1873	111	90	88.7
1874	102	98	93.9
1875	96	104	97.2
1876	95	105.2	91.3
1877	94	106.3	96
1878	87	115	99.3
1879	83	120.5	104.4
1880	88	113.6	97.6
1881	85	117.6	100
1882	84	119.2	101.2
1883	82	122	101.3
1884	76	131.5	101.6
1885	72	139	111
1886	69	145	108
1887	68	147	107.7
1888	70	142.8	100.6
1889	72	138.8	98.9
1890	72	138.8	108.9
1891	72	138.8	102.9
1892	68	147	96
1893	68	147	85.7

See Joint Standard, page 84.

SEC. 199. Prices reached their maximum in 1873. In that year the average price of the forty-five commodities was eleven one-hundredths higher than the average of the 1867-77 prices. As compared with this rise in prices, of course, the purchasing power of both gold and silver declined and in 1873 the purchasing power of gold as compared with the higher prices then prevailing is shown by the index numbers to have been 90 and the purchasing power of silver to have been 88.7.

SEC. 200. The decline in prices in 1874 was from 111 to 102, or from 11 above to 2 above, and, of course, there was a corresponding rise in the purchasing power of both gold and silver. From that time until the close of the year 1893 gold appreciated in purchasing power as compared with its purchasing power in 1867-77. It appreciated from 100 to 147, and, as compared with its purchasing power in 1873 it had appreciated from 10 below to 47 above, or fifty-seven one-hundredths, or 63 per cent. Silver in the meantime had fallen from 11 and three-tenths below to 14 and three-tenths below, or three one-hundredths, or 3 per cent., although most of the time it had been above the 100 mark, and never below the 87.7 mark at which it stood in 1873, until 1893, so that prior to 1893 silver had lost none of its purchasing power as measured by commodities, and prior to that time the divergence between the metals had been caused solely by an appreciation in the value of gold.

CHAPTER XV.

INFLATION OF PRICES FROM BIMETALLISM.

SEC. 201. It is insisted by the gold standard advocates that bimetallism would lead to a great inflation of prices; that such inflation would unsettle business; that it would impair the obligation of contracts, and that creditors would be wronged and defrauded to an extent equal to the advance in the price of silver bullion that would ensue on the adoption of bimetallism. They also insist that everything has become adjusted to the gold standard, and that it would be in violation of the principles of honesty and fair dealing to go back to the regime that obtained prior to 1873.

SEC. 202. Is there any force in these objections? Would bimetallism cause an inflation in prices? If it would not, then, of course, all the other objections fall to the ground, as they are predicated on the assumption that bimetallism would cause an inflation of prices and that the calamities predicted would necessarily follow such an inflation.

SEC. 203. We have already seen that prices are regulated by the amount of money available for use, that as the volume of money is increased, other things remaining the same, prices will rise, and as the volume of money is diminished prices will fall. We have also seen that all money available for use, which is commonly accepted in exchange for services or property and in payment of

debts, whether so accepted by force of law (that is, its legal tender property) or by common consent, act on prices, and that it all acts in precisely the same manner, whether gold, silver or paper, and whether it is convertible or inconvertible, and without any regard whatever to the material of which it may be composed; and that the assumption that only standard money acts on prices is fallacious and as utterly without foundation in fact, as is the assumption promulgated by a distinguished gold standard advocate that financial crises are caused by "waves of heat received from the sun."

SEC. 204. The only question, therefore, to be considered is: Would bimetallism increase the amount of money available for use? If it would, and if the increase in the volume of money was greater than the increase in population and business, then prices would rise, but if it did not increase the volume of money faster than population increased and new business developed and new demands for money were created, prices would not rise.

SEC. 205. The Director of the Mint in his Annual Report for the fiscal year ending June 30, 1898, on pages 48-49, estimates the coined silver in the world at that time (January 1,1898) at $3,977,500,000. Of this sum he estimates that $3,276,100,000 is full tender money and $701,400,000 limited tender money. Of the full tender silver money he estimates that $1,817,400,000 is in Asia, $743,200,000 in Europe, $561,500,000 in the United States, and $154,000,000 in the rest of the world. Of the limited tender money he estimates that $570,200,000 is in Europe, $76,700,000 in the United States, and $54,900,000 in the rest of the world. (In order to make the full tender silver money in the United States amount to the sum of $561,500,000, the Treasury Department adds to the estimated amount of silver dollars $99,548,611 worth

of silver bullion purchased under the provisions of the Sherman Act and still remaining uncoined. Probably no one outside of the Treasury Department would even suspect that this uncoined silver bullion is money, much less full legal tender money; yet it is so counted and classified by the Treasury Department. See pages 42-43 Report of Director of Mint, 1898; also page 156, Report of the Secretary of the Treasury, 1898.) The full tender silver money of Europe and the United States is now circulating side by side with gold coin, and is discharging the money function at its nominal or face equally as well as gold coins. The European full tender silver money has been coined at the ratio of about 15½ to 1, or at the rate of about $1.33 per ounce; the full tender silver money of the United States has been coined at the ratio of 16 to 1, or at the rate of $1.29 per ounce, and the limited tender silver money in both Europe and the United States has been coined at a ratio still more favorable to silver.

SEC. 206. The limited tender silver money in both Europe and the United States is also circulating side by side with gold and discharging the money function to all intents and purposes as well as gold. Twenty silver shillings in England are just as valuable for monetary purposes as a gold sovereign. Four silver five-franc pieces in France will buy as much of any commodity and discharge as much indebtedness as a gold twenty-franc piece, and in the United States ten silver dollars, or twenty half-dollars, are as valuable as money—will buy as much commodity, or pay as much debt, as a gold eagle.

SEC. 207. The silver money of Europe and America is today discharging the money function at its nominal or face value equally as well as gold, and it is the sheerest

nonsense to say that bimetallism would increase the efficiency of this money, as a factor on prices.

SEC. 208. The $1,817,000,000 in silver money in Asia is all or nearly all the money they have, and it is all in circulation and discharging the money function at a coinage ratio of about 15 to 1, or at the rate of about $1.37 per ounce. The only difficulty the silver standard countries of Asia have is in settling foreign balances in their trade with gold standard countries, and this is simply a matter of foreign exchange, which is not a monetary question but a commercial one, as foreign balances are never settled in money. When the precious metals are made use of in such settlements, as they sometimes are, they are treated as bullion and not as money; they are weighed, not counted; the money stamp is utterly ignored.

SEC. 209. Professor Marshall, in his examination before the Royal Gold and Silver Commission, in answer to Question 9,652, said:

"I do not think there is any evidence that bimetallism, that is, the use of two metals instead of one, in every country in the world would raise prices all the world over directly; that is, not in gold and silver countries taken together. Indirectly it might, but directly I do not think it would, because I think that all the gold and silver in the world that is not wanted for the arts, for manufactures or for hoarding, is already acting as currency, and I do not think its efficiency would be increased by the adoption of bimetallism. If bimetallism caused larger supplies to be raised from the mines, that would affect prices. If it caused less to be hoarded, that would affect prices. If it lead to a silver paper being issued on a thin reserve of silver, that would inflate prices, but by itself, I do not see that it would affect prices the world over. If, however, bimetallism took the particular form of fixing the price of silver, say 20 per cent. higher than its market value now, I should then expect to see it raise prices some 10 per cent., perhaps a little less, in gold countries, and lower them some 10 per cent. perhaps a little more in silver

countries, leaving the average, all the world over, very much as it was before."

SEC. 210. I confess that I do not see the logic of the last conclusion. If all the silver money in the world is now discharging the money function at its nominal value, as Professor Marshall says it is, and without doubt he is correct in this, I cannot see how raising the "market price of silver, say 20 per cent. higher than its market value now," would, or possibly could, have any effect on the purchasing power of silver money. If the money coined from silver bullion passes readily at its nominal value, it is a matter of no importance to those who use the money—to those who receive silver money in exchange for commodities—whether the bullion out of which the money is coined cost $1.29 per ounce, or whether it cost $0.50 per ounce. In either case the money value would be the same, and it is the money value, and not the bullion value, that acts on prices. In answer to another question in the same examination Professor Marshall said: "I believe that the shillings and the one-half crowns in circulation have just the same effect upon prices that they would have if they were a legal tender. I believe that four one-half crowns affect prices in precisely the same way that a half sovereign does."

SEC. 211. At the time the above observation was made by Professor Marshall the market value of the silver in the silver half-crown pieces was 20 per cent. below the nominal values of the coin, and yet the Professor says, and he says truly, that the half-crown pieces, coined out of silver that is at a discount of 20 per cent. as measured by gold, "act on prices in precisely the same way that the half-sovereign does." If increasing the market value of the silver 20 per cent. would increase the power of the

coin as a factor on prices, then silver would become a more important factor on prices than gold, because now, at 20 per cent. below gold, Professor Marshall says it is an equal factor with the gold sovereign. It is only necessary to state this proposition to be convinced of its absurdity. If the "market" price of silver bullion was increased 20 per cent., or 50 per cent., the coin would continue to act on prices, so long as it discharges the money function, in precisely the same manner that it does now; it would act in the same manner and with the same force that money stamped on gold or on paper would act on prices. The idea that one kind of money acts on prices more efficiently than another kind so long as they equally discharge the money function at their face value and both are received without objection by the people, is too absurd for serious consideration.

SEC. 212. The only way that bimetallism could inflate prices would be by causing more money to be put into circulation, or by causing less to be hoarded, or by checking the export of bullion to the Orient. It could not inflate prices by causing more silver bullion to be coined into money, unless more silver bullion is produced, for there is comparatively little silver bullion in stock. I know of no statistician that estimates the silver bullion in stock at more than fifty million ounces, and it is not usually estimated at more than twenty-five million ounces, and many estimates are much lower than twenty-five million ounces.

SEC. 213. In July, 1895, G. H. Gibson, a prominent New York stock broker, in an interview published July 8, 1895, in the Chicago Post, in which the amount of silver bullion in stock was being discussed, said:

"I talked with Sir Hector M. Hay, a member of the firm doing the largest bullion business in the world. In reply to a direct

inquiry as to how much bullion he regarded as existing in the markets of Europe, he stated his belief that the visible supply of Europe did not exceed £3,000,000 sterling.

"Sir Charles Freemantle, the Master of the British Mint on Tower Hill, told me, five years ago, that there was no stock of silver bullion to speak of in Europe. It came by every steamer and went away by every steamer. On inquiry of one of the highest statistical authorities in London the fact was confirmed that despite the demonetization of silver by all the great nations, the use of silver in the arts has grown so wonderfully that there is a ridiculously small supply in the market at any time."

SEC. 214. In June, 1899, I addressed letters of inquiry to a number of prominent economists and statisticians requesting them to give me their estimate of the amount of silver bullion now in stock and for sale in all the markets of the world. I received answers from most of them, and their estimates are given in the following paragraphs:

SEC. 215. Hon. A. J. Warner, who has devoted many years to the study of the money question, especially to bimetallism, wrote as follows:

"Some years ago I made an effort to ascertain the amount of silver bullion then held in stock, but found it very difficult to obtain information definite enough to enable me to determine even approximately the supply on hand. I came to the conclusion, however, that no very large stocks were anywhere carried, and I think the same is true now, although stocks may have somewhat increased since 1893, but for the most part silver as fast as produced is sold for manufacturing purposes or for subsidiary coinage, or is shipped to India or China."

SEC. 216. Hon. Joseph C. Sibley, a lifelong student of the money question, writes as follows:

"My estimate from the best figures I have been able to gather during a few years past is that there are practically no stocks in Europe. My belief is that no authority today can show in Europe and America, (outside of our own Government stock), ten million ounces. I doubt if there is more than one-half that quantity."

SEC. 217. Edward Atkinson, a prominent writer and statistician, and one of the most radical and uncompromising gold standard men in the United States, says:

"Sir Hector Hay and Sir Charles Freemantle are both of authority. Their estimates doubtless refer to the quantity of bullion on the market. There is little or no bullion held in stock, and there has been none for a long time."

SEC. 218. Maurice L. Muhleman, of the United States Sub-Treasury at New York, a man who from his connection with the Treasury Department must be presumed to have all the available information on the question, and who, being an uncompromising gold standard advocate, could not be suspected of minimizing the silver bullion in stock, says:

"I am of the opinion that the statements you quote relative to the available supply of silver bullion in the world, made several years ago, are substantially correct today. There is no considerable stock of silver bullion now in the world in the sense that you mean; such as, for example, a large stock of any commodity, which could be 'flung on the market.' Where does it go to? You will find that in addition to the much larger industrial use of silver, the product is chiefly sent to the Far East. Thus England, in 1897, exported some $90,000,000 of silver, and in 1898 over $75,000,000, chiefly to the East, though Russia took $33,000,000 in 1897 and $10,000,000 in 1898. France has used some in the East (Cochin China) and in Madagascar also; and we export five to ten millions to the East."

SEC. 219. Professor Taussig, author of the "Silver Situation in the United States," and at the present time professor of Political Economy in Harvard University, an uncompromising gold standard man, writes as follows:

"I confess, I do not know what may be the stock of silver bullion available for immediate use. The Director of the Mint would doubtless have some impression on this matter. But the question does not seem to me a very material one. The 'flooding' of the country with silver in case of free coinage, never seemed to me probable; while yet it seemed to me certain that we should be

very soon, if not immediately on a silver basis, and that the consequence of being on a silver basis would then work themselves out by a longer or shorter process."

SEC. 220. Henry G. Miller, author of a valuable book entitled "Chapters on Silver," and a large contributor to economic literature for the past twenty-five years, says:

"Seventy-five per cent. of the inhabitants of the earth transact all their business with silver money and there is nowhere a stock of silver bullion accumulated and held for sale. All of it goes to silver-using countries for monetary purposes."

SEC. 221. Geo. H. Shibley, author of a voluminous and very valuable work on the "Money Question," that in itself, is conclusive proof that he is an indefatigable and untiring student and careful investigator not only of the present conditions but of the history of money, says:

"It is my opinion that there is no considerable amount of silver bullion for sale, in other words that it is not being kept back for a higher market but is being offered for sale as rapidly as it comes from the smelters."

SEC. 222. Charles Gide, author of a standard text book on Political Economy, a work written in French, but translated into several languages, and now extensively used as a text book in many of the leading universities of the world; at the present time professor of Political Economy in the University of Montpellier, France, after giving a carefully prepared statement of the silver money in France, says: "I do not believe that the quantity in bars (ingots) is considerable, but I have no figures in this respect."

SEC. 222a. Hon. Charles A. Towne, Chairman of the Silver Republican National Committee and one of the best informed men in the United States on all phases of the Silver Question, writes as follows:

"I have not at hand the data from which I can deduce a reasonably correct conclusion in regard to the 'total amount of silver bullion now for sale in all the markets of the world.' My judgment, however, is that there practically is no stock on hand at all. I have been in the habit of challenging our opponents to show any stock of silver in existence, of any serious proportion, with which our mints could be 'flooded' in case of the re-establishment of bimetallism, and nobody has undertaken to point out any such hoard."

SEC. 223. Alfred Marshall, author of "The Principles of Economics," one of the best publications on Economics ever published; and at the present time Professor of Political Economy in the University of Cambridge, England, writes as follows:

"I am sorry to say that I am not an authority on the subject on which you write. I understand that bullion dealers believe that the free stock of silver in England is seldom considerable. One of them once told me that there was nothing to be gained, and something to be lost, by holding any considerable stock, and so far as a complete outsider can form an opinion the argument seemed reasonable to me."

SEC. 224. Lord Aldenham, one of the best informed men in Europe on all phases of the money question, in his examination before the Indian Currency Committee, March 16, 1899, in answer to question 12,882, said:

"You must remember this: All the silver that is produced is used. There are no stocks anywhere."

SEC. 225. Before writing the letters to which the foregoing paragraphs are replies, I made a careful examination of all available statistics, and arrived at the conclusion that there could not possibly be in all the markets of the world to exceed fifty million ounces of silver bullion, and in all probability there was not to exceed one-half of that amount. If, however, there is 50,000,000 ounces and it should all be coined into money at the ratio of 16 to 1, or at

15½ to 1, or even at the Asiatic ratio of 15 to 1, it would make less than five cents per capita for the inhabitants of the earth, and such an addition to the world's volume of money certainly would not inflate prices.

SEC. 226. In Chapter XVIII, entitled, "Bimetallism in the United States," reasons are given and statistics quoted which I think conclusively prove that the amount of silver bullion now for sale is very small, to which chapter the reader is referred. In estimating the amount of silver bullion for sale, the bullion held by the United States and any that may be held by other governments is excluded. Such bullion is not on the market and is not for sale. There is certainly no danger of the inflation of prices from the coinage of the bullion now in stock, and there is no probability of there being any future production of silver and gold more than sufficient to keep pace with increasing population and increasing demand for money. It will be seen from the foregoing answers that some of my correspondents assume that most of the silver bullion produced since 1893 has been consumed in the arts or shipped to the Orient. In this, however, they are mistaken. The consumption in the arts and for mechanical purposes, and the exports to the Orient, are but little, if any, greater in proportion to the production than formerly. It will be seen by reference to the 1898 Annual Report of the Director of the Mint, page 266, that the world's coinage of silver money has been constantly and rapidly increasing since 1893. The world's coinage of silver in 1896 was $159,539,927, of which $106,400,408 was coined in Europe and America, and $53,139,519 was coined in the rest of the world. The coinage of silver in 1897 was $167,760,297, of which $98,444,204 was coined in Europe and America, and $69,316,093 was coined in the rest of the world. In 1896 the European coinage was $56,752,279, and in 1897

it was $56,841,157. The above facts, shown in the Report of the Director of the Mint for 1898, contradict the assumption that the silver bullion now being produced is being consumed in the arts.

SEC. 227. That the demonetization of silver has been an important factor in the depression of prices is unquestionably true, but it is not because the silver that remained in circulation ceased to act on prices, nor because it acted with less efficiency than formerly, but because silver being no longer primary money or money of final redemption, an abnormal demand was created for gold for that purpose, which caused large amounts of gold to be withdrawn from circulation and hoarded in reserves. More than $1,000,000,000 in gold coin is now held out of circulation in the war chests of a few of the leading nations of Europe in addition to the amount held in reserve in 1873. This reserve while so held out of circulation does not and cannot act on prices, and for all practical purposes it might as well be at the bottom of the ocean as to be where it is, so far as being a price-regulating factor is concerned.

SEC. 228. Free coinage of silver would allay, to some extent at least, the fear of a money famine, and would probably cause some of the hoarded gold to be released and put into circulation. Again, if silver had free access to the mint at the old ratio, its production would be stimulated, more silver would be produced and added to the money of the world, and this new money would tend to stimulate prices, and these two causes acting together — the gold released from hoards, and the new silver produced — would in all probability check a further fall in prices and possibly give them a slight upward tendency. But as we have already seen (See Chapter VI. on Consumption of the Precious Metals in the Arts and Manu-

factures), a very large per cent. of the annual production of gold is being consumed in the arts and manufactures, and hereafter the world must depend very largely upon silver for its supply of metallic money.

SEC. 229. There is no force in the objection to bimetallism on the ground that it would inflate prices. Bimetallism would not and could not inflate prices. The most it could do would be to check a further fall and possibly give prices a slight upward tendency. It would be impossible, with any yield from the mines, at all probable, to restore the prices of 1873. The men who make these objections, if they have investigated the facts, must know that there is no danger of inflation from bimetallism. The entire production of both of the precious metals, if not an ounce of either was consumed for non-monetary purposes, is not sufficient to keep pace with the increasing money demand of the world.

CHAPTER XVI.

PARITY OF EXCHANGE.

SEC. 230. Can a parity of exchange be maintained between gold-using and silver- or paper-using countries? I unhesitatingly answer, yes; that it is not necessary to have gold in any particular country in order to maintain gold prices and a parity of exchange in such country, but only necessary to limit the volume of money so as to bring the total sum of money available for use, in such country, within the amount of its distributive share of the world's money as measured by its population and business; and that this fact is very conclusively shown by the report of the Indian Currency Commission of 1893. (See page 35, sec. 93-96, Indian Currency Commission Report).

It is there shown that a substantial parity of exchange has been maintained under the following conditions:

"First—With little or no gold, as in Scandinavia, Holland and Canada;

"Second—Without a mint or gold coinage, as in Canada and the Dutch East Indies;

"Third—With a circulation consisting partly of gold, partly of overvalued and inconvertible silver which is legal tender to an unlimited amount, as in France and other countries of the Latin Union, in the United States, and also in Germany, though there the proportion of overvalued silver is more limited, the mints in all these countries being freely open to gold, but not to silver, and in some of them silver coinage having ceased;

"Fourth—With a system under which the banks part with gold freely for export, as in Holland, or refuse it for export, as in France.

"Fifth—With mints closed against the private coinage of both silver and gold, and with a currency of inconvertible paper as has been temporarily the case in Austria.

"Sixth—With a circulation based on gold, but consisting of token silver, which, however, is legal tender to an unlimited extent, as in the West Indies. * *

"It would thus appear," is the conclusion of the Commission, "that it has been found possible to introduce a gold standard without a gold circulation; without a large stock of gold currency; and even without legal convertibility of an existing silver currency into gold."

SEC. 231. Professor Nicholson, commenting upon the above facts found by the Commission, and the conclusion deduced therefrom, in his "Money and Monetary Problems," page 415, says:

"It is to be regretted that the Commission did not emphasize the fact that in every one of these cases the same general principle is exemplified, the principle, namely, of limitation—first definitely established by Ricardo.—ANY KIND OF CURRENCY CAN BE MAINTAINED AT AN ARTIFICIAL VALUE, PROVIDED ONLY THAT IT IS STRICTLY LIMITED, AND THE DEPRECIATION (IF ANY) WILL DEPEND UPON THE EXCESS OF ITS QUANTITY, although, of course, the variation is not one of simple proportion."

SEC. 232. The explanation of this is very simple. The essential element of money is limitation, and where the money, no matter of what material, is kept within a limit that equals the distributive share of the world's money of the nation so issuing it, its value will remain at par with gold; and by limiting the quantity, if made an exclusive legal tender in such country, it can be forced to any desired premium in gold. It was upon this principle that the inconvertible paper milreis of Brazil commanded a premium of five per cent. in foreign gold coin and upon

which the numerous instances cited by Ricardo also depend. It was upon this principle and by the force of this economic law that the inconvertible notes of the Bank of England commanded a premium in gold coin during the years 1798, 1799 and 1800. (See Encyclopedia Brittanica, Ninth Edition, Article Banking, Vol. 3, page 320.) It will also be seen from the above historical facts that there is no force in the contention so persistently urged by certain gold standard advocates, that to maintain a parity of exchange between gold-using countries and silver-using countries, or even to maintain bimetallism, it is necessary to exchange gold for silver, or silver for gold, on the demand or request of any person or of any government.

CHAPTER XVII.

DEMONETIZATION.

SEC. 233. In the consideration of the question of the demonetization of silver, we should always keep in mind the motive that actuates the monometallist. The war being waged against the white metal is not because of the depreciation of silver, or because there is any difficulty in maintaining a parity between the two metals, nor is it because silver is not a desirable material upon which to place the money stamp, but because, and only because, the great capitalists of the world, the men who hold stocks, bonds, mortgages and other evidences of indebtedness to the amount of more than $200,000,000,000, the men who have fixed incomes, who live upon the wealth produced by others, desire to make money dear and commodities cheap; because they want to crowd more wheat, more pork, more cotton, more days' work into the dollar. It makes no difference to them whether the money destroyed is gold or silver, but they insist that the use of one of the precious metals, as a money metal, must be discontinued, and the one which for the time being promises to be the most abundant is the one they make war upon.

SEC. 234. Soon after the gold discoveries in California and Australia, and when it was generally understood that the amount of new gold being thrown into circulation would necesarily cause a rise in the general level of

prices, there was a concerted action on the part and in behalf of the money kings of the world to demonetize gold. This movement, instigated by the great money syndicates of the world, was advocated by such able economists as De Quincey and Chevalier, and under their influence and advice gold was, in 1857, demonetized in Germany, Austria, Holland, and in some other States, and the demonetization of gold would in all probability have become general had it not been for the determined opposition of France, at that time the leading coining nation in the world. Having failed to secure the demonetization of gold, and the production of silver having largely increased some twelve or fifteen years later, and when it seemed probable that silver would be the most abundant of the two metals, the opposition to gold was abandoned, and the forces of the allied money kings of the world were directed against silver. The same or at least similar influences that secured the support of De Quincey and Chevalier to advocate the demonetization of gold in 1857, were able to secure the ardent support of such pseudo-economists as Wells, Atkinson, Laughlin, Giffen, McLeod and some others, none of whom, however, appear to be able to distinguish between money and a piece of metal, or as Senator Jones says:

> "Dimly seeing the 'kindly light' and fearing to follow, are content to argue in a circle and grope in darkness compared with which midnight may be called noon. Students of books rather than of men—of theories rather than of life—struck with awe at the power of wealth and the glamour of privileges—they either pause at the very threshold of discovery, and retrace their steps, or seeing the truth prefer to appear ignorant lest they give offense to the mighty."

SEC. 235. The Act of 1873 which struck the silver dollar from the list of coins in the United States, com-

monly referred to as the Demonetization Act, did not deprive the silver dollars already coined of their legal tender property, but only prohibited their further coinage. Those already in existence were not actually demonetized until the following year on the compilation of the General Statutes by which their full legal tender property was destroyed and they were allowed to be used as a legal tender only in the payment of debts, like the subsidiary silver coins, in sums of five dollars or under.

SEC. 236. In 1878 the legal tender property of the silver dollar was partially restored—that is, it was made a legal tender in the payment of debt, "except where otherwise expressly stipulated in the contract."

SEC. 237. This proviso permits any person who chooses so to do to discriminate against silver in contracts for the payment of money. While the act of 1878 remonetized silver so far as payments to and by the Government were concerned, made silver money a legal tender when not otherwise specified in the contract, and provided for the coinage of a certain limited amount of silver each month on Government account from silver bullion purchased by the Government at its market value, it denied it access to the mints on terms of equality with gold; it permitted banking corporations, trusts, syndicates and individuals, in any and all contracts executed to them for the payment of money, to stipulate in such contracts that payment should not be made in silver, thus discriminating against silver money issued, or to be issued, by the Government. It delegated to corporations and to individuals, so far as they were concerned, the power to demonetize silver money. And every Secretary of the Treasury since the passage of this law has arbitrarily surrendered to the creditor the option, expressly reserved to the Government, of paying in silver money,

and in all cases when gold has been demanded by the creditor gold has been paid. Gold has been paid when the treasury was overflowing with silver, and when interest-bearing bonds had to be sold to obtain gold with which to make such payments or to maintain the gold reserve. With such a law, so administered, the wonder is not that silver bullion has fallen in value as measured by gold, but that it has commanded as high a price as it has commanded or that silver money has circulated as money at all.

SEC. 238. It has been charged that these Acts, the Act of 1873 and of 1874, were corruptly passed through both houses of Congress. Whether British gold was used to corrupt certain members of Congress is not, and probably never will be, positively known. But certain it is that not to exceed half a dozen members of Congress knew at the time of the passage of the Act of 1873, that the silver dollar was stricken from the list of coins, and its further coinage prohibited. And those who did know it said nothing about it in public. Certain it is that when President Grant signed it he knew nothing about it. Certain it is that the people had never petitioned Congress for any such legislation, and did not know that there had been any such until nearly two years after the passage of the act.

SEC. 239. The act striking down the silver dollar and prohibiting its further coinage was the most important and far-reaching in its consequences of any act ever passed by Congress, and yet no paper published anywhere in the United States, at or near the time of its passage, contains any reference to it whatever.

SEC. 240. In proof of the fact that President Grant did not know that the act of 1873 prevented the coinage of the silver dollar, I quote a paragraph from a letter writ-

ten by the President, October 3, 1873, to Mr. Cowdry in which he says:

"I wonder that silver is not already coming into the mint to supply the deficiency in the circulating medium. Experience has proved that it takes about $40,000,000 of fractional currency to make the small change necessary for the transaction of the business of the country. Silver will gradually take the place of this currency and further, will become the standard of value which will be hoarded in a small way. I estimate that this will consume from $200,000,000 to $300,000,000 of this species of our circulating medium. I confess to a desire to see a limited hoarding of money. BUT I WANT TO SEE A HOARDING OF SOMETHING THAT IS A STANDARD OF VALUE THE WORLD OVER. SILVER IS THIS. Our mines are now producing almost unlimited amounts of silver, and it is becoming a question, 'What shall we do with it?' I suggest here a solution which will answer for some years, to put it in circulation, keeping it there until it is fixed, and then we will find other markets."

SEC. 241. The letter from which the above quotation is taken was written by President Grant nearly eight months after he had approved the act that struck the standard silver dollar from the list of coins and had made all silver coins thereafter coined in the United States a limited tender for five dollars only. The fact that President Grant in October, 1873, said: "I wonder that silver is not already coming into the mint to supply the deficiency in the circulating medium," is very convincing evidence that he did not know that the act of February 12, 1873, had stricken the standard dollar, the only full tender silver coin we had,—from the list of coins,—had denied it access to the mint and had degraded silver generally to a limited tender money. And the further fact that after estimating that from $200,000,000 to $300,000,000 would be hoarded by the people he should write: "*I confess to a desire to see a limited hoarding of money. But I want to see a hoarding of something that is a standard of value*

the world over. Silver is this," is conclusive evidence that he did not know that silver had been stricken down, degraded, made subsidiary to gold and its coinage prohibited by law.

SEC. 242. Professor Walker, one of the delegates from the United States to the 1878 International Monetary Conference, stated that the people of the United States generally knew nothing of the legislation of 1873 that struck the silver dollar from the list of coins, and prohibited its further coinage, until long after the passage of the act, that it was unknown even to men specially occupied with financial and monetary subjects. He himself, though he had at the time been lecturing on Money, and occupied a chair of political economy, was not aware of what was being done, and he presumed the great majority of his fellow citizens were equally ignorant. (See Report of Monetary Conference, 1878, page 25).

SEC. 243. In further proof of the fact that the act demonetizing silver was surreptitiously passed through Congress, I quote from page 165 and following pages of "Our Money Wars," by Samuel Leavitt, a valuable book published in 1895. Mr. Leavitt says:

"John Sherman seeks to create the impression, [and if Mr. Leavitt was writing today he might add the name of John Jay Knox] that the demonetization of silver was well understood by the Senators and Representatives at the time they voted for it, he justifies his vote for it, and yet at the same time seems quite anxious to divide the responsibility with others."

SEC. 244. "Hon. W. D. Kelley, Chairman of the Coinage Committee of the House, did not know that the bill demonetized silver, though he reported the bill. Garfield did not know it; Blaine did not know it. They were both members of the House. Conkling did not know it. So these gentlemen asserted, and they were certainly as truthful as Sherman.

SEC. 245. "Sherman in his opening speech of the late campaign delivered at Paulding, Ohio, August 27, 1891, in regard to the bill

of 1873 demonetizing silver, said: 'The Act of 1873 was not an act of the party then in power but it was an act of all parties. It was voted for by Democrats and Republicans alike, after full consideration for three years in Congress. It was voted for by every Representative from the silver States.'

"Now we want to prove Sherman a prevaricator. From the history of the Act of 1873, and the act of 1878, we copy the following: Judge Kelley of Pennsylvania, was Chairman of the Committee on Coinage, Weights and Measures in 1872, when the bill originally passed the House. This is what he said on the floor of the House, March 9, 1878:

"'In connection with the charge that I advocated the bill which demonetized the standard silver dollar, I say that, though the Chairman of the Committee on Coinage, I was as ignorant of the fact that it would demonetize the silver dollar, or of its dropping the silver dollar from our system of coins as were those distinguished Senators—Messrs. Blaine and Voorhees, who were then members of the House and each of whom a few days since, interrogated the other: 'Did you know it was dropped when the bill was passed?' 'No,' said Mr. Blaine, 'did you?' 'No,' said Mr. Voorhees, 'I do not think there were three members in the House that knew it. I doubt whether Mr. Hooper, who in my absence from the Committee on Coinage, and attendance on the Committee on Ways and Means, managed the bill, knew it. I say this in justice to him.' (Congressional Record, Volume 7, Part 2, Forty-fifth Congress, second session, page 1605).

SEC. 246. "Mr. Holman in a speech delivered in the House of Representatives, July 13, 1876, said: 'I have before me the record of the proceedings of this House on the passage of that measure, a record which no man can read without being convinced that the measure and the method of its passage through the House was a 'colossal swindle.' I assert that the measure never had the sanction of this House ,and it did not possess the moral force of law.' (Congressional Record, Volume 4, Part 6, Forty-fourth Congress, first session, Appendix, page 193).

"Again on August 5, 1876, he said: 'The original bill was simply a bill to organize a bureau of mines and coinage. The bill which finally passed the House and ultimately became a law, was certainly not read in this House. * * It was never considered before the House as it was passed. Up to the time the bill came

before this House for final passage, the measure had simply been one to establish a bureau of mines; I believe I use the term correctly now. It came from the Committee on Coinage, Weights and Measures. The substitute which finally became a law, was never read, and it is subject to the charge made against it by the gentleman from Missouri, (Mr. Bland), that it was passed by the House without a knowledge of its provisions, especially upon that of coinage. I, myself, asked the question of Mr. Hooper, who stood near where I am now standing, whether it changed the law in regard to coinage. And the answer of Mr. Hooper certainly left the impression upon the whole House that the subject of the coinage was not affected by that bill. (Congressional Record, Vol. 4, Part 6, Forty-fourth Congress, first session, page 5237).

SEC. 247. "General Garfield, in a speech made at Springfield, Ohio, during the fall of 1877, said: 'Perhaps I ought to be ashamed to say so, but it is the truth to say that, at that time being Chairman of the Committee on Appropriations, and having my hands overfull during all that time with work, I never read the bill. I took it upon the faith of a prominent Democrat and a prominent Republican, and I do not know that I voted at all. There was no call for the yeas and nays, and nobody opposed that bill that I know of. It was put through as dozens of bills are, as my friend and I know, in Congress on the faith of the report of the chairman of the committee; therefore, I tell you, because it is the truth, that I have no knowledge about it.'

SEC. 248. "Senator Allison, on February 15, 1878, when the bill (H. R. 1093) to authorize the free coinage of the silver dollar was under consideration, said: 'But when the secret history of this bill of 1873 comes to be told it will disclose the fact that the House of Representatives intended to coin both gold and silver, and intended to place both metals upon the French relation instead of on our own, which was the true scientific position with reference to this subject in 1873, but that the bill was afterwards DOCTORED, if I must use the term, and I use it in no offensive sense, of course.'

"Mr. Sargent interrupted him and asked him what he meant by the term 'doctored.'

"Mr. Allison said: 'I said I used the word in no offensive sense. It was changed after discussion, and the dollar of 420 grains was substituted for it.' (Congressional Record, Vol. 7, page 2, Forty-fifth Congress, second session, page 1058).

SEC. 249. "On February 15, 1878, during the consideration of the bill above referred to, the following colloquy between Senator Blaine and Senator Voorhees took place:

"Mr. Voorhees—'I want to ask my friend from Maine, who I am glad to designate in that way, whether I may call him as one more witness to the fact that it was not generally known whether silver was demonetized. Did he know, as Speaker of the House, presiding at that time, that the silver dollar was demonetized in the bill to which he alluded?'

"Mr. Blaine—'I did not know anything that was in the bill at all. As I have before said, little was known or cared on the subject. (Laughter.) And now I should like to exchange questions with the Senator from Indiana, who was then on the floor, and whose business it was far more than mine to know, because by the designation of the House I was to put questions; the Senator from Indiana then on the floor of the House, with his power as a debater, was to unfold them to the House. Did he know?'

SEC. 250. "Mr. Voorhees—'I very frankly say that I did not.' (Ibid., page 1063).

SEC. 251. "Senator Beck in a speech made in the Senate January 10, 1878, said: 'It (the bill demonetizing silver) never was understood by either House of Congress. I say that with full knowledge of the facts. No newspaper reporter—and they are the most vigilant men I ever saw in obtaining information—discovered that it had been done.' (Congressional Record, Volume 7, Part 1, Forty-fifth Congress, second session, page 260).

SEC. 252. "Mr. Thurman said: 'I cannot say what took place in the House, but I know, when the bill was pending in the Senate, we thought it was simply a bill to reform the mint, regulate coinage and fix up one thing and another; and there was not a single man in the Senate, I think, unless a member of the committee from which the bill came, who had the slightest idea that it was even a squint toward demonetization.'" (See "Our Money Wars," pp. 164-168).

SEC. 253. In view of all these facts it cannot be possible that it was generally known either in or out of Congress, at the time of the passage of the act of 1873 that

the silver dollar was by that act stricken from the list of coins and its further coinage prohibited; and any man, no matter what may have been his opportunities for knowing, and no matter what may have been his official position or his connection with the Treasury Department, or with any other department of the Government, who now claims that the full import of that act was understood and discussed in both branches of Congress, and that it was the intention of those voting for the act of 1873 to degrade silver to the position of partial legal tender money, and to prohibit the further coinage of the silver dollar, wilfully and corruptly misrepresents the facts. It is not possible for him to be mistaken about it. I am well aware that this is very strong language to apply to men who have held prominent positions in the councils of the nation; but it has been the misfortune of many nations to have been betrayed by those who have been trusted by the people with important positions; the people cannot always distinguish between the worthy and the unworthy in the selection of officers. Even one of the twelve disciples chosen by our Saviour proved to be a devil, and it must be expected that occasionally a Judas will insinuate himself into the councils of a nation and not only betray his trust, but also make himself an apologist for the wrong deeds of his co-conspirators.

SEC. 254. Senator Jones, in a speech before the International Monetary Conference, 1892, page 262, said:

"In the demonetization of silver, a wrong unexampled in the history of time was committed upon civilization. One-half of the metallic money of the world was at a blow removed from accessibility to debtors. Debts, enormous in number and amount, had been contracted under conditions which gave the debtors a right to draw for means of payment on all of the gold and silver mines of the world. Thenceforth by legislative interference, they were

deprived of their option, and were compelled to pay in gold alone, which was becoming yearly less and less capable of sustaining the industry of the world."

He also said (see page 295): "The taking from either or any portion of either [of the metals], the debt-paying function, without furnishing some equally well adapted thing to perform that function in its stead, was a step of the most baneful import to society. IF TAKEN WITHOUT FULL APPRECIATION OF THE RESULTS THAT WERE TO FOLLOW, IT WAS A PIECE OF DELIRIOUS FOLLY. IF WITH FULL CONSCIOUSNESS OF THE CONSEQUENCES, IT WAS—ON THE PART OF THE CREDITOR CLASSES—NOTHING LESS THAN AN ACT OF TREASON AGAINST THE HUMAN RACE."

SEC. 255. The history of the world has already established beyond the possibility of a doubt that a shrinking volume of money and its inevitable accompaniment, falling prices, blocks the wheels of industry, dries up the springs of enterprise, lessens production, relegates willing workers to enforced idleness and plunges them into debt—which is but another name for slavery—breeds pestilence, fosters crime, and fills our jails, almshouses, and lunatic asylums. Senator Jones does not use too strong language when he characterizes the demonetization of silver as "An act of treason against the human race."

SEC. 256. Professor Walker, in an address delivered before the International Monetary Conference of 1878, (see pp. 74-78), said:

"We are not, therefore, asking this body to decree a reversal of a law of nature in asking the consideration of the expediency of arresting, and, so far as practicable, reversing the movement for the demonetization of silver. So far as that movement has proceeded, it has been wholly a work of man's accomplishing as it was of man's devising. The action of Germany in 1871 was wholly gratuitous and of choice, not compelled, or even suggested, by any commercial, industrial, financial, or fiscal stress or exigency.

"That action involving important changes in the monetary policy of the Scandinavian kingdoms, and of the Latin Union, was, as we conceive, taken under bad advice, with partial or mistaken views of the proper relations of silver to the trade of the civilized nations, in their present state of development, and with little or no consideration of the broader question, as to the effects upon the production of wealth which would be wrought by so great a diminution of the Money supply of the world.

"As the Conference of 1867, wholly absorbed in the consideration of the means of securing International Coinage, did incontestibly exert a powerful influence in initiating the movement for demonetizing Silver, it remains for the Conference of 1878, with a more sober judgment and a larger view of human interests, instructed as the nations have been by the bitter experience of the past few years, to put forth its hand to stay the progress of that demonetization which has already brought such mischiefs upon trade and the production of wealth. * * A diminution of the Money supply is one of the gravest evils which can menace mankind.

"The mischiefs of a contracting circulation have, twice at least, in the course of events, befallen Europe as the result of the exhaustion of the mines of the precious metals, or the interruption of the mining industry by barbarian invasion or civil convulsion. IT HAS REMAINED FOR THIS GENERATION AND THIS DECADE TO SEE THESE MISCHIEFS BROUGHT UPON EUROPE BY THE DELIBERATE ACTS OF GOVERNMENT UNDER THE ADVICE OF POLITICAL ECONOMISTS.

"Whether the Money-supply of Europe and America would be reduced by the completion of the movement initiated in 1871, to the extent of 40, or 30, or of only 20 per cent., the consequences could not but be most disastrous.

"SUFFOCATION, STRANGULATION, ARE WORDS HARDLY TOO STRONG TO EXPRESS THE AGONY OF THE INDUSTRIAL BODY WHEN EMBRACED IN THE FATAL COILS OF A CONTRACTING MONEY-SUPPLY!

"Against so great a wrong to civilization and to the hopes of mankind, the representatives of the United States, here present, raise their earnest protest and warning. This is our real interest in the silver question. This it is which brings us here."

SEC. 257. Baron Rothschild, in speaking of the evil effect that would ensue if demonetization became general, said:

"The simultaneous employment of the two metals is satisfactory and gives rise to no complaint. Whether gold or silver dominates for the time being, it is always true that the two metals concur together in forming the monetary circulation of the world, and it is the general mass of the two metals combined which serves as the measure of value of things. The suppression of silver would amount to a veritable destruction of values without any compensation." (Quoted from Senator Jones' May (1890) speech, page 18).

SEC. 258. Speaking of the proposition to demonetize silver, Senator Dumas, in the Senate of France, March 28, 1878, said:

"Those who approach these questions for the first time decide them at once. Those who study them with care hesitate. Those who are obliged practically to decide, doubt and stop overwhelmed with the weight of the enormous responsibility." (Id. p. 17).

SEC. 259. Sir Guilford L. Molesworth, Delegate from British India, to the International Monetary Conference of 1892, in a speech delivered before the Conference and reported in its proceedings on page 138, said:

"Our predecessors in the Paris Monetary Conferences of 1878 and 1881 were almost unanimous in the opinion that silver must be rehabilitated. They only disagreed on the manner of rehabilitation. Some were of the opinion that matters would right themselves, whilst others considered that the remedy could only come by re-establishing the link that had existed between gold and silver prior to 1873.

"The opinion of the latter was undoubtedly correct. Matters have gone on from bad to worse, and now, we are confronted by the fact that Mr. de Rothschild, the most renowned financier of the world, tells us that if this Conference were to break up without arriving at any definite result there would be a depreciation in the value of silver out of which a monetary panic would ensue, the far-spreading effects of which it would be frightful to contemplate.

" Now this state of things was clearly predicted by Ernest Seyd in 1871, when the severence of the link between gold and silver was first contemplated. His prediction has been so remarkably fulfilled that I must quote his words:

'It is a great mistake,' said he, 'to suppose that the adoption of the gold valuation by other States besides England will be beneficial. It will only lead to the destruction of the monetary equilibrium hitherto existing, and cause a fall in the value of silver, from which England's trade and the Indian silver valuation will suffer more than all other interests, grievous as the general decline of prosperity all over the world will be. The strong doctrinarianism existing in England as regards the gold valuation is so blind that when the time of depression sets in there will be this special feature; the economical authorities of the country will refuse to listen to the cause here foreshadowed, every possible attempt will be made to prove that the decline of commerce is due to all sorts of causes and irreconcilable matters; the workman and his strikes will be the first convenient target, then speculation and over-trading will have their turn. * * Many other allegations will be made, totally irrelevant to the real issue, but satisfactory to the moralizing tendency of financial writers.' "

SEC. 260. Senator Jones, in his October (1893) speech, page 53, said:

" The question is not whether we shall have a white or a yellow metal upon which to put the stamp of the Government; the question really is, shall we have a quantity of money that will maintain justice between debtor and creditor in the matter of deferred payments—a feature not only of great, but of surpassing importance? Mr. President, justice is, in my estimation, much more sacred than gold. When it is said that we should have a dollar that will be at parity with gold, I reply that we might better have a dollar that will be at a parity with the products of the labor of our people—at a parity with a bushel of wheat and with a pound of cotton. What I wish to see in this country is a dollar that will be, and will stay at a parity with justice. Gold is at a parity with nothing, but, on the contrary, is at a disparity with everything."

CHAPTER XVIII.

BIMETALLISM IN THE UNITED STATES.

SEC. 261. Can the United States coin silver into full legal tender money at the ratio of 16 to 1 without an international agreement? There never was an international agreement for the coinage of the precious metals at a certain fixed ratio, and yet prior to 1873 no difficulty was experienced in maintaining the relative values of the two metals, at or near the coinage ratio of the principal coining nations. Since 1873 a great divergence between the relative values of the two metals has taken place. What has caused this divergence?

SEC. 262. That it has not been caused by a difference in the relative amounts of gold and silver bullion produced from the mines since 1873 becomes apparent by reference to the official reports of the production of the precious metals. (See report Secretary of the Treasury, 1897, page 229). The value of the gold produced 1873 to 1896, both inclusive, (value of both metals computed at the ratio of 16 to 1), is $2,929,688,100, and the value of the silver produced during the same period is $3,179,345,600. It will be seen from this official report that the value of the world's output of silver during this period is but very little more than that of the gold.

SEC. 263. It also appears from the same report that the production from 1860-1872 was, gold $1,628,252,000, and silver, $708,521,000—less than one-half as much in

value of silver as of gold, and yet the metals were held comparatively steady at the French coinage ratio of 15½ to 1. From 1493 to 1850, a period of 357 years, the value of the gold produced was $3,314,550,000, and of the silver, $7,358,450,000, more than twice as much in value of silver as of gold, and yet the relative values of the two metals always kept within the limits fixed by the coinage or mint regulations of the principal coining nations of the world. Over long periods of time it has frequently happened that double or more than double in value of first one and then the other of the metals has been produced, sometimes, in fact, for many years together the production of one of the metals almost entirely ceased, yet these enormous fluctuations in the relative production of the metals had no effect on their relative value for monetary purposes. Since 1873 the value of the gold and silver produced—measured by the coinage ratio—has been more nearly equal than at any other time, and yet the change in their relative commercial value in the twenty-five years since 1873 has been five-fold greater than in the 380 years preceding 1873. It therefore follows that it could not have been the slight excess in the production of silver since 1873 that has caused the great divergence in the values of gold and silver bullion.

SEC. 264. In view of these facts there can be no question that the controlling influence holding the metals together ever since their use as money metals was the ratio at which they were permitted to be coined into money. They were chained together by the mint ratio of the leading coining nations, by nations that were able to receive and did receive, coin into money, and float as money, all the silver bullion presented at their mints for coinage purposes. So long as this link establishing a

legal ratio between the metals for coinage purposes was maintained, and equal monetary power was conferred on the coins of both, it was impossible for the metals to fall apart, but when the link was broken, as it was in 1873, they fell apart, and they fell apart because the link was broken, and for no other reason.

SEC. 265. In 1873 and since that time several important nations have ceased to coin silver into money as they had previously done. Silver has been denied access to their mints on terms of equality with gold; the unlimited demand for silver, at a fixed ratio with gold ceased to exist; in other words, silver, instead of being a money metal, with unlimited mint privileges and full legal tender power, was degraded to the position of a commodity, and its value became subject to the law of supply and demand like any other commodity, while to gold was accorded unlimited mint privileges, unlimited demand at a fixed price — measured in gold — and unlimited legal tender power.

SEC. 266. This discrimination against silver and in favor of gold has lessened the demand for silver and increased the demand for gold; the lessened demand for silver has caused its value to fall somewhat in the market, while the increased demand for gold has caused its value to appreciate.

SEC. 267. Under the mint laws as modified in and since 1873 gold has become the only money of full legal tender power. This fact has caused a scramble for gold in several of the great nations for national reserves, and, as it was well known that gold was rapidly appreciating in value, many of the great banking corporations have elected to hold their reserves in gold. We have already seen in another Section (see Sec. 160) that more than one thousand million dollars in gold coin is now held in war chests

and in national and bank reserves, in excess of that held in 1873. This abnormal demand for gold, resulting solely from legislation, has nearly doubled the value or purchasing power of gold within the past twenty-five years, and from this enormous appreciation of gold and from a slight depreciation of silver the commercial ratio between the metals has changed from 15½ to 1 as it was in 1873 to about 34 to 1 in 1899.

SEC. 268. Prior to 1873 both gold and silver had free access to the mints as money metals of unlimited tender power at ratios in most countries ranging from 15 to 1 to 16 to 1. Such coinage privileges accorded to both metals held their value comparatively steady at the mint price. From the time of the adoption of individual, or free, coinage in the principal States of Europe and America until 1873, when free coinage was denied to silver, there was no such thing as a "market value" for either gold or silver bullion.

SEC. 269. Between 1666 and 1873 the value of bullion of either of the metals was the result of competition between the mints of the principal coining nations. The price never rose above the highest price paid for it at any important mint unless influenced by pressing local demands for other than monetary purposes, and then only slightly above, and for a short time only, and never fell below the price paid for it at any important mint to exceed an amount equal to the incidental expenses, mint charges and cost of transportation to the coining mint. In other words: "Nobody gave more nor less in one metal for the other than the mints gave, and the mints gave whatever the law directed. The so-called 'market value' of this period was simply what may be termed an international mint ratio." (See Monetary Systems, page 64).

SEC. 270. Since 1873, silver being denied access to the mints, and being coined only for the Government, and out of bullion purchased by the Government, there has arisen for the first time since the establishment of free coinage a general "market value" of silver entirely distinct from its coinage or mint ratio.

SEC. 271. It being apparent that the link that held the metals together prior to 1873 was the right of access to the mints on equal terms and the conferring of equal monetary power on each of the metals when coined at the mint ratio, it follows that any force that is sufficient to re-establish the broken link can restore the former relative value of the metals. No international agreement for a coinage ratio ever existed, and yet, prior to 1873, there was no serious fluctuation in the relative value of the metals. They were held together by the law that gave them equal mint privileges and equal monetary power.

SEC. 272. What has been done can be done again. As France from 1803 to 1873 held the value of the precious metals comparatively steady by simply keeping her mints open on equal terms to both metals, so any nation that is able to receive, coin, and float as money all the silver bullion that is presented at its mints for coinage purposes and that will keep its mints open at all times for the reception of gold and silver on equal terms and make the coins of both an equal tender for all purposes, can restore the broken link; and that restored, the value of silver will re-assert itself.

SEC. 273. Notwithstanding the adverse silver legislation there is still being coined a large amount of silver. On the closure of the Indian mint and the repeal of the purchasing clause of the Sherman Act, both of which events occurred in 1893, the annual coinage of silver fell off, and for the first time silver fell in value—as measured

by commodities—below its value or purchasing power in 1873.

SEC. 274. The world's coinage of silver for 1894 and since that time has been as follows: (See Reports of Director of the Mint, 1897, page 54, and for 1898, page 266).

1894	$113,095,788
1895	126,873,642
1896	159,540,027
1897	167,760,297

SEC. 275. The coinage for the years 1896 and 1897, after making allowance for the silver consumed in the arts and manufactures, virtually consumed all the silver produced in those years, and this confirms the estimates of statisticians that there is but very little silver bullion now in stock, certainly not to exceed 50,000,000 ounces, outside of that held by the various governments, that is to say, there is not to exceed 50,000,000 ounces (probably not half that amount) of silver bullion now for sale in all the markets of the world. It will also be seen that there is now a constantly and rapidly increasing demand for silver for coinage purposes.

SEC. 276. The world's demand for money is more than sufficient to absorb all the gold and silver produced. The mint ratio of the great coining nations of the world in force prior to 1873 fixed the relative value of gold and silver, and created an unlimited demand for the entire output at the ratio fixed. As long as this unlimited demand existed it was impossible for either of the metals to fall in value below its coinage ratio because the mint stood ready to receive and coin into money at the mint ratio any surplus of either of the metals that might remain after the demand for use in the arts and manufactures had been satisfied. Since 1873, however, silver has been

denied access to the mints on terms of equality with gold, the unlimited demand for silver has ceased, no important commercial nation is now coining silver on private account; the silver now being coined is from bullion purchased by governments at its "market value." Although the mints remain open at a fixed price to all the gold presented they are closed to silver. In other words, silver has ceased to be a money metal—in the strict sense of the term—and is now simply a commodity and is subject to all the fluctuations in value arising from supply and demand like any other commodity.

SEC. 277. The source from which the precious metals derive the greater part of their value is their use as money. If their use as money should be discontinued by all nations they would unquestionably lose much of their present value, probably three-fourths, possibly much more than three-fourths. The fall in the value of silver caused by its partial demonetization conclusively proves this to be a fact. There can be no doubt that denying to silver access to the mints on terms of equality with gold, although a large amount of silver is still being coined into money from bullion purchased by the various governments at its "market" value, has reduced the value of silver one-half as measured by gold, which is still a money metal, and if its coinage should be entirely discontinued it would lose one-half or two-thirds, possibly three-fourths, of its present value.

SEC. 278. If the United States should restore to silver unlimited mint privileges at the ratio of 16 to 1, and make the silver when coined a full legal tender for all purposes, silver bullion would immediately become worth, at least in this country, \$1.29 per ounce. An ounce of silver coined at the ratio of 16 to 1 will coin out \$1.29, and if the coinage is unlimited and gratuitous, an ounce

of silver uncoined would be of the same value as an ounce of silver coin, and nobody would sell it for less than its coinage value. If the coinage was free and unlimited, but subject to a seigniorage charge for coinage, then an ounce of silver bullion would be worth an ounce of coined money less the charge for coinage.

SEC. 279. Can the United States without international agreement establish a ratio of 16 to 1 between gold and silver bullion, and by so doing raise the price of silver bullion to $1.29 per ounce and hold it comparatively steady in all the markets of the world? If this country can receive, coin, and float as money, all the silver bullion that will under such ratio be presented to our mints for coinage purposes, and if it makes the silver, when so coined, a legal tender for all purposes, and repeals all laws permitting silver to be discriminated against in private contracts, then we can maintain the value of the coin at its coinage ratio. If, however, we cannot coin and float as money all the bullion presented for coinage, or if we allow silver to be treated as inferior to gold by any person who may desire to discriminate in favor of gold, or if we make our silver money a partial legal tender only, if we deny it access to the mint on equal terms with gold, in other words, if we purposely degrade our silver money by legislation, then, of course, its value cannot be maintained.

SEC. 280. Can we receive, coin and float as money all the silver that will be presented at our mints for coinage? We have already seen that there is not to exceed 50,000,000 ounces of surplus silver bullion for sale, and no one will question the fact that this country could very easily absorb that amount with great advantage to the business interest of the country. It therefore follows that, unless silver now in coin and in circulation

as money in other countries should be sent here for sale, there would be no difficulty in maintaining a ratio of 16 to 1. Is there any probability of coined silver now circulating as money in other countries being sent here for recoinage?

SEC. 281. The Director of the United States Mint in his Annual 1897 Report (see Finance Report, 1897, page 216), estimates the silver money in the world at $4,268,300,000, which he locates as follows:

In the United States	$ 634,500,000
In Europe	1,216,900,000
In Asia	2,229,400,000
In America exclusive of the United States	170,900,000
In Africa, Australasia and all other countries	16,600,000
	$4,268,300,000

SEC. 282. There is not a commercial country today in the world that is not reaching out for more silver for coinage purposes, and there are but two countries—

NOTE.—The above figures were taken from the 1897 annual report of the Director of the Mint, which was the latest published report when this chapter was written. In the 1898 annual report, since published, notwithstanding the fact that the silver coinage for the year 1897 was $167,760,297, the Director of the Mint for reasons no doubt satisfactory to himself, but which he does not explain, reduces his estimate on the total amount of silver coin from $4,268,300,000 in 1897, to $3,977,500,000 in 1898—a reduction of $290,000,000, to which, if you add the coinage of 1897, $167,000,000, makes a total deduction of $457,000,000. In 1897, he estimates the silver coin in Asia at $2,229,400,000, and in 1898 he estimates it at $1,817,400,000, a reduction of $412,000,000 in a single year, notwithstanding the fact that there was a large silver coinage in Asia during that year. When I received the 1898 annual report and noted the great discrepancy between it and the report for the former year, I determined to re-write this chapter, but on further examination of the reports issued from the Treasury Department, I found that the reports of no two years agree and that estimates based on the statements contained in any one of the reports would not agree with estimates based on statements contained in any other report, and concluded that I might as well let the chapter remain as it had been written, because if re-written and based on the estimates contained in the 1898 report, it would be no more likely to agree with the 1899 estimates of the Department than would the estimates of 1897.

The estimates of the Treasury Department in regard to gold are subject to as serious and unaccountable fluctuations as those in regard to silver. For example,

Mexico and Japan—which coin silver at a lower ratio to gold than 16 to 1. And, consequently, there are no countries except Mexico and Japan that could send their silver coins to this country under a ratio of 16 to 1 without sustaining a loss on the face value of their coins. (See Annual 1898 Report of the Director of the Mint, page 48).

SEC. 283. The full tender silver money in Europe is coined at a ratio of 15½ to 1, and their subsidiary silver money is coined at a ratio much more favorable to silver, all of it at ratios below 15 to 1, and some of it—that of Russia, Germany and Austria—at ratios below 14 to 1. None of this European silver coin could be sent to this country at our proposed ratio of 16 to 1 without a loss to the shipper, on the face value of the coin, of at least 3 per cent., besides cost of transportation, and none of it can be spared from the stock of money of the several countries where it is now circulating side by side with

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the 1897 report estimates the stock of gold in Great Britain at $584,000,000. The 1898 report shows the gold coinage of Great Britain during the year to have been $8,654,764 (see p. 48), and the excess of imports of gold into Great Britain over exports of same to have been $677,509. (See 1898 Report, p. 132). If the estimate of 1897 of $584,000,000 was based on gold coins, then the coinage of gold during the year, less excess of exports, if any, should be added to find the amount on the first of January, 1898. If, however, the estimate included both coin and bullion, which is probably the case, then the excess of imports over exports of gold during the year should be added to the stock on hand in 1897. In either case there would be an increase in the stock of gold, and not a decrease of $146,000,0000 as estimated by the Treasury Department.

Del Mar in the second edition of the "Science of Money," page 192, in speaking of the reports published by the Director of the Mint and the Comptroller of the Currency says:

"The Government of the United States is now so strong and rich that, in the scramble of nations for the world's scant stock of the precious metals, it probably has the power to secure more than its due share. In other words, the great European syndicates should no longer be permitted to monopolize the flow of the precious metals. With an independent policy, the Treasury and Banks of the United States are capable of exerting an important influence upon this movement. It ill-becomes the possessor of such power to permit the employment of the feeble and juggling tables of 'coins in circulation' published by the Dire tor of the Mint and the Comptroller of the Currency."

gold and discharging the money function at its nominal or face value equally as well as gold. The demand in Europe is for more silver money. The coinage of silver in Europe for the year 1896—the last year for which we have official reports—(see United States 1897 Finance Report, page 309), was $56,750,000.* Does the coinage of $56,750,000 of silver money in Europe, in a single year, indicate that Europe has more silver money than she can use to advantage? Does it indicate that Europe would be glad of an opportunity to get rid of her silver money, and that if the United States should go to free coinage she would dump her silver money on us? Such a claim is too absurd for serious consideration. Free coinage in the United States, resulting as it would in raising the value of silver bullion, not only in the United States but also in Europe and all over the world, would not attract silver from Europe to this country, but, on the contrary, would increase the European demand for silver.

SEC. 284. The only reason there is not even now a greater demand in Europe for silver for coinage purposes is the fear of a further fall in the gold price of silver. If the United States should restore to silver the right of free and unlimited coinage at a ratio of 16 to 1, no fear of a decline in the value of silver would any longer be entertained by any sane man. Europe, with her more than four hundred million people, nine tenths of whom handle no money but silver money, requires a much larger volume of silver money than she now has, and when she is assured, as she would be by a bimetallic law in the United States, that the value of silver will here-

* The silver coinage in Europe in 1897, as shown by 1898 Report of the Director of the Mint (p. 266)—received since this chapter was written—was $56,841,157, a trifle greater than the coinage of 1896.

after be maintained at a parity with gold, her demand for silver for coinage purposes would be largely increased, probably doubled.

SEC. 285. The $2,229,000,000 of silver money in Asia is coined at a ratio of 15 to 1; and at that ratio an ounce of silver will coin out $1.37. There is virtually no gold money in Asia, and the people of Asia will not part with their silver coins under any consideration. None of it could be sent here under free coinage in this country at 16 to 1 without a loss of at least seven cents per ounce on its coinage value, besides cost of transportation. None of it can be spared. The demand in Asia is for more silver. Even the gold standard advocates do not claim that any silver would come to this country from Asia.

SEC. 286. In the rest of the world, exclusive of the United States, to-wit, in Egypt, Cape Colony, South African Republic, Australasia, and all of North and South America, exclusive of the United States, there is, as reported by the Director of the United States Mint, $171,000,000 in silver coin. The population of the several countries in which this coin is located is shown by the same report to be 75,600,000, which would give them a per capita circulation in silver of $2.38. It is not at all likely that very much of this coin would come to this country under a free coinage law. We might and probably would get some silver from Mexico, but we could not by any possibility get enough from any, or all, of these countries to increase materially our stock of silver money. If every dollar's worth of silver coin outside of Europe and Asia would come to this country and it should all be coined into our money it would add but a trifle more than two dollars per captia to our circulation, and I think it will be conceded by all candid men that

such an addition to the money volume of the country would be a blessing rather than an injury.

SEC. 287. Moreton Frewen, an eminent English economist, in a letter written to the Hon. R. P. Bland, May 10, 1896, said:

> " As to whether by giving silver free coinage your great country can maintain steady exchange everywhere at 16 to 1 between gold and silver, I am not going to dogmatize. Hermann Schmidt, whose knowledge of exchange problems entitles his opinion to respect, thinks you can. * * For my own part, I have always believed that Lord Aldenham—then Mr. Gibbs—was right when he declared in his evidence before the Currency Commission in 1886 that any first class nation, but especially America, could go safely to free coinage. * * On a certain Monday in June, 1893, the ratio between gold and silver was as 1 to 24; on Friday of the same week it was as 1 to 30; your 'seventy cent dollar' had become a 'fifty cent dollar,' and why? Because the mints of a single foreign country—India—not a first class country in point of trade —had been closed. Presumably, then, had the India mints re-opened on that Friday the ratio would have reverted from 1 to 30 to 1 to 24 before the following Wednesday. Now, let us ask those who object to free coinage in the United States, what would have been the effect if on the same Wednesday you had opened your mints to the free coinage of silver? If India, single handed, had been able to raise the ratio 20 per cent.—that is from 1 to 30 to 1 to 24, by free coinage, would not the addititional support of the United States have carried the ratio to 1 to 16, a raise of 33 per cent. more? And if the United States could not have accomplished this through free coinage, will somebody explain why?

SEC. 288. In his examination before the Indian Currency Committee, March 16, 1899, immediately following a discussion of the possibility of the United States, India and France opening their mints to the free coinage of gold and silver, at a ratio to be agreed upon between them, and certain members of the Committee having expressed a doubt of France entering into such an agreement, Lord Aldenham said:

"Ques. 12,873. You said you would like France to come into the suggested international agreement?

"Ans.—Certainly, and anybody else.

"Ques. 12,874.—Have you any reason to believe that they would be open to entertain such a proposal?

"Ans.—I know that, whereas they were indisposed, there is now a turn in the tide in that respect, they are certainly more willing to entertain the contemplation of such a thing. As you will see from Colonel Hay's letter, he also takes that view.

"Ques. 12,875.—But you do not consider their consent essential to an agreement of that kind?

"Ans.—I do not.

"Ques. 12,876.—You think that America and India together would form a broad enough basis?

"Ans.—I should say America alone, the Indian Mints being open to silver. I do not say America and India together, because it would involve putting India upon a bimetallic system, which I do not desire. What I mean is, that the United States could do it alone, because France for eighty years almost alone maintained the ratio of 15½ to 1, without a check, and with not the slightest difference in the world, aided one may say—though the aid was not very great—toward the end of the time, (it was really nearly a hundred years) by the other nations; I cannot say when they began to take the same view or adopt the same ratio. I remember when Greece and Switzerland were on no such ratio. I say that if France could maintain it for that time, the United States could maintain it quite as well now. The members of the Gold and Silver Commission expressly said that what would enable two or three or four nations to maintain that ratio depended on their population and commerce. Now, the population of France was then somewhere about 32 or 33 millions. The population of the United States is said to be some 75 millions. The population of the whole Latin Union was 75 millions. So that the United States have the same population that those other countries together had. And then we have to add that it is not population only, but commerce; indeed, when we talk of commerce you must include population, because if you have no population to produce exports and no population to consume imports, there can be no foreign commerce. Now, the commerce of the United States, internal and external, is very much superior to that of

France when France was able to maintain the 15½ to 1. Therefore, I say, I feel no doubt in my own mind that, as France maintained a much more difficult ratio, that of 15½ to 1, the United States would have no difficulty in maintaining 22 to 1. But for political reasons, and prudential reasons too, they say we must consult with other nations."

SEC. 289. In the above discussion the Committee was considering a ratio of 22 to 1, which, if adopted, would raise the present price of silver bullion, as measured by gold, about 50 per cent. Now, does it not necessarily follow that if the opening of the mint of an important nation, like the United States, to the free coinage of silver at a ratio of 22 to 1, would raise the commodity value of silver 50 per cent., and make the commodity value and coinage ratio coincide at the 22 to 1 ratio, that if the mint was opened at the ratio of 16 to 1 that the commodity value and the coinage ratio would coincide at the 16 to 1 ratio? In either case, if the country maintaining the open mint is able to receive, and does receive, coin and float as money, at the ratio it has established all the bullion presented at its mint, it can maintain the established ratio, whether it be 22 to 1, 16 to 1, or any other ratio within any reasonable limit, and if it cannot do this it cannot maintain any ratio.

SEC. 290. The world's volume of silver money amounts to about $4,000,000,000, nearly all of which is circulating side by side with gold and is discharging the money function equally as well as gold for all purposes except for exchange between gold-using and silver-using countries. It now constitutes a part of the world's volume of money rated at its nominal or coinage value. An international agreement establishing a ratio of 22 to 1 would reduce the present money value of the world's silver money from $4,000,000,000 to $2,783,000,000 and

cause an immediate contraction in the money volume of $1,217,000,000. Such a contraction in the volume of money would produce a financial crisis "the far spreading effects of which it would be impossible to foretell." Better, a thousand times better, that things should remain as they are than to change the ratio to 22 to 1, or to increase the amount of silver at all in the silver dollar.

SEC. 291. Several plans have been suggested, some of them by men of standing as financiers, for increasing the monetary use of silver, or as a kind of compromise between the bimetallists and the gold monometallists. No doubt some of these plans have been suggested in good faith, but they are all fatally defective in this, that they do not propose to do the one thing necessary, namely, to give to silver the same mint privileges and same monetary power that they give to gold. Horace Greeley, in 1870, in discussing the question of the resumption of specie payments, after showing the absurdity of the plans suggested by the so-called financiers of that day, said: "The way to resume is to resume." He insisted that when the Government ceased to discriminate against its paper money, when it received its paper money for all demands due the Government, it would become as good as gold. In this he was unquestionably correct. The way and the only way to re-establish the former ratio between gold and silver, or to establish and maintain any ratio between them, is to give both metals equal mint privileges and equal monetary power at the proposed ratio.

SEC. 292. There can be no doubt that the link which held the metals together prior to 1873 was equal mint privileges and equal monetary power; and any plan that does not include the restoration of this broken link must fail. It stands to reason that the relative value of two metals one of which is simply a commodity and subject

all the fluctuations resulting from the law of supply and uncertain demand and the other a money metal for which there is an unlimited and insatiable demand at a certain fixed price cannot be held together at the same relative value.

SEC. 293. In 1878 it was believed by many of the members of our Congress that the decline in the value of silver as measured by gold had been caused by the over-production of silver, and that, if a demand could be created for the surplus silver, the former relative value of gold and silver bullion would be restored. Acting upon this belief the Bland-Allison Act was passed. This law created a demand for two million dollars' worth of silver bullion per month. This increased demand caused a rapid rise in the price of silver bullion for a few months, but soon a reaction set in and silver again fell to a lower level than before. Not satisfied with this experiment and still believing that if the demand was great enough the old relative value of gold and silver bullion would certainly be restored, the Sherman law was passed. This law increased the demand for silver bullion to four million five hundred thousand ounces per month; again the price was stimulated and silver rose rapidly in value for a short time, but it soon fell again in value to a lower level than before. People then began to see that demand alone would never restore the former ratio, and that the only remedy was to give back to silver what had been taken from it, namely, equal mint privileges and equal monetary power.

We have already seen that there is now a demand for all the silver produced, that there is no surplus silver in stock, and yet the price has a downward tendency. The only solution of the problem is to again make silver a money metal. When this is done gold and silver will

again become of equal value at the ratio fixed, whether that ratio is 16 to 1, 22 to 1, or 32 to 1. If it is desired to still further reduce prices, if it is believed that there is too much money in the world, then the ratio of silver might be lowered to 22 to 1, or 32 to 1, but there can be no other possible reason for reducing the value of silver.

SEC. 294. Mr. Alfred de Rothschild, delegate from Great Britain to the International Monetary Conference held at Brussels in 1892,(see report, p. 70) for the alleged purpose of promoting the greater use of silver, submitted the following proposition:

> "The American Government are purchasers of silver to the extent of fifty-four million ounces yearly, and I would suggest that, on condition these purchases were continued, the different European Powers, should combine and make certain yearly purchases, say to the extent of about £5,000,000 sterling annually, such purchases to be continued over a period of five years at a price not exceeding 43 pence per ounce standard, but, if silver should rise above that price, the purchases for the time being to be immediately suspended."

SEC. 295. When we take into consideration the fact that the average annual coinage of Europe 1891, 1892, 1893 amounted to over $32,000,000, considerably over £6,000,000 sterling,and the proposal of Mr. de Rothschild was that "to extend the use of silver generally" the "European Powers should combine to make certain yearly purchases, say to the extent of about £5,000,000 sterling," coupled as it was with the proviso that the purchases should immediately cease if the price of silver advanced beyond 43 pence per ounce, it is difficult to believe that the proposal was seriously made. The amount of silver the proposal suggested that Europe should purchase was less than it was taking at the very time the proposal made, and was coupled with the further proviso that if silver advanced in value to 43d. per ounce

(about 93 cents) then purchases should cease. At the time this conference was in session silver was worth 87 cents per ounce and Mr. de Rothschild proposed to hold it there "in order to extend the use of silver" and if it advanced in value 6 cents per ounce then the European Powers should combine to keep it down. It appears from the proceedings of the Conference that the proposition was seriously considered and discussed although (very fortunately for the cause of silver) it was not adopted.

SEC. 296. Anson Phelps Stokes, in a book entitled "Joint-Metallism," published in 1896, suggests a plan which he calls "a safe and honest plan by which both gold and silver, permanently and at their market value, may be made available as the metallic basis of currency." (See his book, "Joint-Metallism," page 3).

His plan is to coin the same weight of silver as there is weight of gold in the $5 gold piece. He proposes to call such silver coins "standards;" that a law shall be enacted providing that all debts of $10 or upwards contracted six months or more after the passage of the act may be paid one-half in gold coins and one-half in such number of standards as shall be approximately equal thereto according to the Government ratio; and that the Government ratio shall be fixed by the Secretary of the Treasury on the first day of each month (commencing six months after the adoption of the law); that the Secretary shall designate the number of standards most nearly the average relative market value of gold and silver; this number to be the ratio for that month.

SEC. 297. Under Mr. Stokes' plan of "Joint-Metallism" not only would silver bullion remain a commodity but also the silver coins now in existence would be reduced to the position of a commodity and rated at a gold valuation. The $4,000,000,000 in silver coins now in circulation and now

discharging the money function at its face value equally as well as gold, under such an arrangement would lose more than one-half of its present money value and the value of the world's money would be reduced more than $2,000,000,000. Such a reduction in the volume of money would produce a financial crisis such as the world has never known and would reduce to bankruptcy nine-tenths of the business men all over the world. It is to be hoped that but few men can be found who would give their assent to such a foolhardy experiment.

SEC. 298. Geo. H. Bonebrake, President of the Los Angeles National Bank, about two years since formulated a plan for the "free and equal coinage of gold and silver" from which I copy the following:

"The country should adopt a single gold standard: So many grains of gold should be a dollar, yet my idea is that, notwithstanding gold should be the standard there can be other money coined and made as valuable as gold. Why not the free and equal coinage of gold and silver? It is not impossible, but a very easy matter to coin dollars of silver equal in value to the gold dollar. To do this a Commission of eminent financial men might be appointed to take into consideration the additional value that has been given to gold by the practical demonetization of silver, and the depreciation of silver by its practical abandonment as money. The commission should have the power to suggest the relative values between gold and silver and that the gold dollar coined should be equal in value to that of silver, and the silver dollar should be equal in value to that of the gold and that both should be legal tender for any and all debts whatever. We need a broader basis of redemption money than we have at present."

SEC. 299. If it is true as stated by President Bonebrake, that the divergence between gold and silver has been caused by the demonetization of silver, and it unquestionably is true, then why not restore to silver by law what we have taken from it by law and end the difficulty? If as Mr. Bonebrake says gold has appreciated

and silver depreciated on account of depriving silver of the right of access to the mint and depriving it of its money function, does it not necessarily follow that by restoring to silver its mint privileges and its monetary power the old relative value between the metals would re-assert itself?

SEC. 300. Some years ago Col. S. N. Wood, a prominent Greenback orator of Kansas, who was thoroughly posted on economic questions, after reviewing several proposed plans for giving silver a more extended use as money and for keeping its ratio to gold steady and after showing such proposed plans must fail for the reason that not one of them even suggested the removal of the cause which had produced the divergence between them, in way of burlesque, suggested a plan for keeping the commodity value of gold and silver coins on a parity, for which he did not claim perfection but which, in his opinion was superior to any of the plans suggested.

Mr. Wood's plan was that the silver dollar when coined should be coined with holes in it ranging in size from an ordinary pin to that of a good sized slate pencil. He suggested that when the Government issued any of these dollars it should furnish the persons receiving them with an assortment of silver plugs suitable for these holes (the Government to charge for the plugs the value of the silver contained in them). The holder of these dollars Mr. Wood claimed would be prepared for any emergency that could possibly arise. If silver should fall in value he could put in one or more of his plugs, if it should rise in value he could knock out a plug. This plan, Mr. Wood insisted, would be much more simple and satisfactory than any of the plans that had been suggested. This plan would save the expense of a Commission to determine the relative value of the two metals as any man of

ordinary intelligence could plug up a hole or knock out a plug as the case might require. In this way said Mr. Wood the relative value of the two dollars could be maintained, both dollars would be equally honest and the honor of the Government sustained. Such a currency he said would be flexible and elastic and suited to the wants of a great commercial people.

Of course Mr. Wood was simply burlesqeuing the plans that had been proposed, but I submit to the reader whether the plan proposed by Mr. Wood is not as sensible and a good deal more philosophical than that of Rothschild, Stokes, or Bonebrake, or any other plan that does not propose to give both metals equal mint privileges and equal monetary power.

SEC. 301. Of course no country could raise the price of silver bullion from 60 cents per ounce to $1.29 per ounce or to 93 cents per ounce by simply declaring that thereafter the price of silver bullion should be $1.29 per ounce or 93 cents per ounce, nor could it raise its price at all without setting in motion some economic force that would act on the value of silver bullion. Prior to 1873 the economic force set in motion by the great coining nations of the world that held the relative value of gold and silver comparatively steady all over the world was the law creating an unlimited demand at the coinage ratio for all the gold and silver bullion in the world and conferring upon the coins of both metals the same monetary functions. Some of the nations, it is true, coined gold only, some silver only, and some both gold and silver, but taken together there was an unlimited demand for both gold and silver at the mint price. So long as this unlimited demand continued and the coins of both metals had equal monetary power it was impossible for the value of either metal to fall below its coinage ratio.

In countries where one of the metals was undervalued as rated by the mint ratio of other nations that metal was liable to go to a premium in the country undervaluing it to an amount equal to its undervaluation, in which event the coin would be exported to those countries giving it a higher valuation, but the premium could not exceed the difference in the valuation fixed by the mint ratio of the exporting and importing countries. Neither was it possible for either of the metals to fall in value below the coinage ratio of any important coining country that was able and willing to receive, coin, and float it as money. And it is equally true today that any country that is sufficiently powerful to create and maintain an unlimited demand for all the silver bullion presented at its mint at a certain fixed ratio between the metals can maintain that ratio whether the ratio be 32 to 1, 22 to 1, 16 to 1, 15½ to 1 or any other ratio fixed within any reasonable limits.

SEC. 302. Sir Guilford Molesworth, delegate from India to the International Monetary Conference of 1892, after having shown that France for three-quarters of a century, unaided and alone, and during periods extending over many years when the relative value produced of first one and then the other of the metals had been largely in excess, sometimes three-fold and even four-fold in excess of the other, had maintained their relative values comparatively steady at the mint price, said: "With this remarkable experience to guide us, it appears probable that the United States of America, if they had the courage to make the plunge, might maintain the equilibrium single-handed."

SEC. 303. I have no doubt that the United States can safely go to the free coinage of silver at a ratio of 16 to 1 without an international agreement, and that on the

adoption of a bimetallic law in this country—giving silver and gold free access to our mints on equal terms at that ratio—and making the money coined from both metals a full legal tender for all purposes, and prohibiting either of them from being discriminated against by private contract, this country can maintain their relative value approximately steady in all the markets of the world.

SEC. 304. In an article published in the *Arena* for June, 1896, I gave many reasons, other than those given in this chapter, why the United States could safely go to free coinage. By the courtesy of the *Arena* I am permitted to re-publish that article as an Appendix to this volume, and I call the attention of the reader to that article for additional reasons why the United States, without an international agreement, can maintain bimetallism. Further investigation has confirmed me in the belief that my conclusions in 1896 were correct.

CHAPTER XIX.

THE UNITED STATES ON A SILVER BASIS.

SEC. 305. Let us suppose that on the adoption of free coinage of silver in the United States, gold would go to a premium, and that eventually it would be exported from the country, and the United States would go to a silver basis—what effect would such a change in the monetary system of this country have on the welfare and prosperity of the people? I do not think there is any probability that under a bimetallic law which gave gold and silver equal mint privileges and equal monetary power for all purposes, gold would go to a premium, or that it would be exported from the country; but that we may examine this question under every contingency that could possibly arise, let us suppose that it would, and that eventually it would all be exported from the country.

SEC. 306. No one anticipates that the Government, or the individuals, or the corporations, now owning the $900,000,000 of gold coin said to be in this country, would give it away; consequently if the gold was exported from the country we would receive in exchange for it either money of some other kind—presumably silver—or commodities of equal value with the gold exported, or securities executed by our Government, or by our corporations, or by our people and now held in foreign countries. If our gold should be exchanged for silver money, and the silver money had the same

purchasing power in this country as the gold—as it necessarily would have under a properly executed bimetallic law—then we would have the same amount of money in the country after the exchange was made that we had before, and business would go on as before. If the gold was exchanged for commodities, then the actual wealth of the country would be increased in an amount equal to the value of the commodities so received in exchange for the gold exported. If the gold was exchanged for American securities held abroad, then our foreign debt to the amount of $900,000,000 would be paid, and the annual drain of the interest on that sum (probably about $45,000,000) would cease.

SEC. 307. We have already seen that any nation can float a volume of money without any regard whatever to the material of which it is made, equal to its distributive share of the world's money. It therefore necessarily follows that if $900,000,000 in gold should leave the country, and silver did not come to our mints to fill the vacuum so created in our currency, paper money might be issued and maintained at a par with gold to an amount equal to the gold exported until a sufficient volume of metallic money was forthcoming. Also if our gold was exchanged for commodities, and silver did not come to the mint to supply the place of the gold so exported, paper money could be used for that purpose. In either of these cases, instead of being injured, we would be benefitted by the exportation of the gold; in the first place, by the extinguishment of $900,000,000 of our foreign debt, and by the annual saving of $45,000,000 in interest charges; and in the second place, by an increase in the actual wealth of the country of $900,000,000, and the substitution—as Ricardo says—of "the cheapest in place of the most expensive medium" of exchange.

SEC. 308. If the gold was exchanged for money, and the money recéived was of the same value as the gold, then, of course, no injury or inconvenience would result from the exchange. Ah! but, say the gold standard advocates, the money received would not be of equal value with gold; the money received would be silver, and would be worth about one-half as much, dollar for dollar, as gold is worth. When it is suggested to these gentlemen that it is hardly probable that the men who own the gold now in the United States would exchange it for money worth only half as much, dollar for dollar, but that they would demand value for value, they reply: "Well, if worth as much at the time the exchange was made it would soon depreciate, and if we permit the free coinage of silver at the ratio of 16 to 1 the United States will soon be on a silver basis." While I do not believe that there is any probability of this country going to a silver basis on the adoption of the free coinage of silver, yet, if it did, would we be injured by it?

SEC. 309. John P. Young, an able economist and managing editor of the San Francisco *Chronicle*, in an article on Bimetallism published in that journal August 3, 1893, said:

"But the suggestion that this country might have a sole silver currency is the 'bogie' that frightens many who know little or nothing of the subject. To have a sole silver CURRENCY, in their eyes means unparalleled disaster. Such people completely ignore the fact that during the period that we had a sole gold currency no one thought that the country was threatened with ruin because the dearer silver was not coined. Such as gave the subject a thought at all and had any real knowledge of the difficulty desired that the mistake of undervaluing silver might be corrected, but they would have judged a man a fit candidate for the lunatic asylum had he asserted that disaster would certainly follow the free coinage of gold because it was cheaper than silver. * * If a nation has resources, and a people capable of developing them, it will increase

its wealth no matter what sort of money it employs to circulate values, provided the standard of values is not tampered with.

"Between 1860 and 1880 the precious metals, silver and gold, were not used to circulate values in the United States. Our only currency was the greenback—except in California. There was no demand for gold except that artificially created by promising to pay the interest on bonds in money of that metal, yet during the period in question, in spite of a devastating war during which production was interrupted, and vast quantities of property destroyed, the wealth of the United States increased from $16,160,000,000 to $43,642,900,000, or nearly three-fold in twenty years. If the theory of those who make a fetich of gold were sound this could never have happened. Nor while we were increasing our wealth at home, did our foreign trade suffer. That went on precisely as described by John Stuart Mill in his chapter on 'The Foreign Exchanges.' After applying an illustration, Mill remarked:

"'It thus appears that a depreciation of the currency does not affect the foreign trade of the country. This is carried on precisely as if the currency maintained its value. * * If the currency is depreciated 10, 15 or 20 per cent., then in whatever way the real exchange arising from the variation of international debts and credits may differ, the quoted exchange will always vary 10, 15 or 20 per cent. from it. However high this nominal premium may be, it has no tendency to send gold out of the country for the purpose of drawing a bill against it and profiting by the premium, because the gold so sent must be procured, not from the banks at par, as in the case of a convertible currency, but in the market at an advance of price equal to the premium.'" (See Mill's Political Economy, Book 3, Chap. 22, Sec. 3).

SEC. 310. Professor Cairnes, in his "Leading Principles of Political Economy," says:

"It appears to me that the influence attributed by many able writers in the United States to the depreciation of the paper currency, as regards to its effects on the foreign trade of the country, is in a great degree, PURELY IMAGINARY. An advance in the scale of prices, measured in gold in a country, if not shared in by other countries, will at once affect its foreign trade, giving an impulse to importations, and checking the exportation of all commodities other than gold.

"A similar effect is very generally attributed by American writers to the action on prices of the greenback inconvertible currency. But it may be easily shown that this is a complete illusion. Foreigners do not send their products to the United States to take greenbacks in exchange. The return which they look for is either gold or the

COMMODITIES of the country; and if these have risen in price in proportion as the paper money has been depreciated, how should the advance in prices constitute an inducement for them to send their goods thither? The nominal gain in greenbacks on the importation is exactly balanced by the nominal loss when those greenbacks come to be converted into gold or commodities. The gain may, in particular cases, exceed the loss, but if it does, the loss will also, in other cases, exceed the gain. On the whole, and on an average, they cannot but be the equivalents of the other." (Quoted from Senator Jones' 1893 speech, page 307.)

SEC. 311. What is true in regard to depreciated paper money would also be true in regard to depreciated silver money. As a depreciated paper between 1860 and 1880 did not in the least impede or even inconvenience our foreign trade and did not prevent a rapid development of the country, and a rapid increase of wealth, so a depreciated silver money, if it should become depreciated, and the United States was on a silver basis, and had no money but silver money, would not impede or inconvenience our foreign trade nor prevent the development of the country and the rapid increase of wealth; neither would the fact that it was at a discount, as measured by gold, drive gold out of the country. What drives gold out of the country is not the fact that it commands a premium in other kinds of money in such country, but the fact that it is worth more in other countries than it is in the country where it is located. Gold will go where it has the greatest purchasing power. If gold has greater purchasing power in Europe than it has in the United States, due regard being had to freights, commissions, exchange, etc., it will go to Europe in spite of any effort we may make to retain it, unless we keep it under lock and key; in other words, unless we keep the price of commodities as low in this country as they are in other countries. To maintain and keep in circulation an inter-

national money we must maintain our price list of commodities on a level with the nations with which we have international trade.

SEC. 312. The fact that the money in circulation is depreciated as measured by gold, the so-called "money of the world," does not impede exports is very conclusively shown by a reference to the exports from the United States during the period 1861 to 1880—both inclusive—a period of twenty years, during which time the business of the country was being carried on with a depreciated, inconvertible, paper money, and the period from 1881 to 1897, both inclusive, a period of seventeen years, during which time we have been enjoying the *benefits and advantages of a gold standard.* In 1861 the domestic exports from this country amounted to $204,-899,616, and in 1880 to $823,946,353, an increase in twenty years of $619,064,737, or 303 per cent., an average yearly increase of 15 per cent. for the entire time, and this increase was made when the business of the country was being done with a depreciated, inconvertible, paper money. In 1881, the domestic exports of the United States amounted to $883,925,947 and in 1897 to $1,032,007,603, an increase in seventeen years of $148,081,656, being 17 per cent. in seventeen years, or an average annual increase of 1 per cent. under a gold standard. But it should be borne in mind that the exports for the year 1897 were exceptionally large, which makes the showing for the period 1881 to 1897 much larger than are warranted by the actual exports for the entire time. If the total time, 1881 to 1897, is taken and the total exports for that period, it will be found that the annual average export was only $808,000,000, or less by $75,000,000 than the exports for 1881, so that under the gold standard regime the value of exports have actually

fallen off; while under a regime of depreciated paper money they increased over 300 per cent in twenty years.

SEC. 313. At the International Monetary Conference of 1892 the declaration of the Mexican delegates in explaining the effects of the so-called depreciation of silver on the business interests and on the development of their country (see page 109), said:

"The depreciation of silver, as it appeared to foreign countries—for in our own country values have not perceptibly changed—has produced an actual premium on exportation. Articles which were not formerly exported are now sold in the markets of Europe and the United States at a loss of 8, 10, or 15 per cent., on the cost of their production and the expenses incurred, because compensation is found in the gain in exchange of 25 or 30 per cent., corresponding to the depreciation of silver, and for this reason the export of articles other than silver has risen from $6,000,000 in 1873 to $27,000,000 in 1891."

SEC. 314. This shows an increase in Mexican exports in eighteen years of 350 per cent., or an average annual increase of over 19 per cent. during that period, on a depreciated silver money, and the United States—a much more enterprising and commercial people—have been actually retrograding during the same time under the much-vaunted "gold standard" "honest money" system.

SEC. 315. From a paper read by Professor A. R. Sprague, before the Andrews Economic Club of Los Angeles, California, in June, 1898, on the effect of a depreciated silver money on the industries, progress and development of countries that are substantially on a silver basis, I quote the following paragraphs:

"In 1883 there were but sixteen cotton mills in Japan, with 43,700 spindles. In 1894 these had increased to forty-six mills with 505,419 spindles. During the next year, 1895, seven mills with 160,000 spindles were added, and by June 1, 1896, the number of

spindles had increased to 711,000. This would indicate that the business was profitable, but we are not left to mere inference, for Consular Reports show that in 1895 forty mills in Osake, Japan, paid dividends of from 16 to 28 per cent., while the least dividend declared, even by the mill most poorly managed, was 8 per cent. During much of this time, British, German, and American mill owners, whose real fixed charges were constantly increasing as the premium rose on gold, admitted that they were running at a loss.

" During this same time, too, the foreign trade of Japan increased from $78,000,000 to $296,000,000. [An increase of 279 per cent. in thirteen years, or an average annual increase of more than 21 per cent.] In the same way during this period, Mexico, and India, too, increased greatly in manufactures and foreign trade. As conditions now stand our facilities in manufacturing enable us to fill up the home market in most lines of production by running half or three-fourths of the time, after which achievement the mills must shut down until consumption has again depleted the market. This spasmodic activity is most unprofitable in every way, deluding workmen by wages which are nominally nearly twice as high as the real wages, which should be determined by dividing the amount received per year by the whole number of working days per year. In case gold should go to a premium, the advantage to us, (if we were on a silver basis), would enable our manufacturers to run their factories on full time, and probably increase their present capacity, thus providing employment for a large portion of our population that must now be supported in enforced idleness by those who have work. * *

" The effect upon the producers of agricultural staples would also be favorable, as it would virtually provide an export bounty, since almost the entire export is sold in gold standard markets, and the same advantage would be obtained as was observed in the case of the cotton cloth exportation. The extraordinary increase in the export of wheat from India from 1885 to 1895 must be regarded as due in very large measure to this influence, since it was the only important new force acting steadily in the same manner through this decade of years.

" The increased prosperity of India under a falling exchange, due to an increasing premium on gold, is pretty generally conceded by the British Commission, although the tremendous influence of the

British Civil Service was thrown against the proposition. That the result would be similar in this country under such a condition seems most probable both from theory and experience."

SEC. 316. Count Mirbach, in a debate in the Reichstag, February 15, 1895, said:

"If America goes over to the silver basis, being united with Asia, and the two being cut off from the gold lands by such fluctuations in exchanges, she will blot out all the commerce of the gold-using nations of the world."

SEC. 317. The London *Financial News*, one of the leading financial papers in Great Britain, on March 10, 1896, contained the following leading editorial, which shows how English financiers regard free coinage in the United States. The *Financial News* without doubt is correct as to the results that would follow free coinage in this country:

"The financial situation in the United States is very serious. The Senate has blocked all relief measures proposed by President Cleveland, and Congress is at a dead standstill on the money question. The free coinage Senators are masters of the situation.

"The condition of affairs in the United States Congress demands immediate attention of British financiers and statesmen. The trade of the world is now in our hands, but it will not long remain there if the United States goes to a bimetallic basis, with free and unlimited coinage of silver. With the addition of silver to the volume of money, everything in America would take on a new face. Labor and industry would gain new life. The grip of the gold standard on the products of the world would be loosened, and prices would rise. Great Britain would lose her markets in South America, Asia and Europe, and American ships would not be long in capturing the carrying trade of the world. British creditors must now apply themselves quickly to the American Money-problem.

"The sound money men, and banking interests, led by Senator Sherman and by Cleveland and Carlisle, with a plentiful supply of means, have been beaten.

"The American people are now thoroughly aroused and educated on the power and use of silver money, and made desperate by debt, and business depression, they are forcing free silver as the main issue.

"Great Britian need fear no injury to her trade or her investments if the Republican party can force the protective tariff as the main issue in the coming presidential campaign, but if free silver dominates the American mind and carries at the polls, it will bring about a change in England that will be ruinous from its suddenness and severity.

"The damage that can be done British manufactures by a protective tariff is slight compared to the disasters that would be entailed by a change from a single gold to a complete bimetallic standard. It is evident that the Democratic party will not re-nominate a man who holds to President Cleveland's ideas on money, and the only hope for the continuation of Mr. Cleveland's financial policy will be in the success of the Republicans in the next election. The success of free coinage will bring down the rate of interest on money, and cause an immediate rise in the price of all commodities. When silver becomes primary money, the American mines will pour their products into the mints, and a new era, similar to that produced by the issue of greenbacks during the civil war, will begin. Gold will leave the banks and enter into competition with silver in the avenues of trade, and the manufactories of the United States, which have been shut down or crippled since 1892, will again resume their fight for the British markets. It is doubtful if the Republican party can be held much longer in check by sound money statesmen, as its adherents are divided by powerful factions. The Democratic party is also breaking up under free silver agitation. It matters not to Great Britian which party succeeds if the gold standard is maintained, but either of the old parties, or a new party, which goes into power pledged to free coinage will be inimical and prejudicial to English manufactures and trade. The American people cling with wonderful tenacity to party organizations, but financial embarrassment and business stagnation has become too severe for their patience and they are ready for any change that promises relief. They are becoming convinced that it cannot be found in the protection theory, as that has been tried, and they are resting now on Free Silver. When this issue comes fairly before the American people, England will regret her apathy and adherence to the single gold standard."

SEC. 318. If this country should go to Bimetallism at a ratio of 16 to 1, and silver on the adoption of Bimetallism should become worth as much as gold at the ratio fixed, and the par of exchange between the two metals was maintained, then, of course, Bimetallism would not hurt the business interests of the country but would benefit them by increasing the volume of money, raising prices, and stimulating business generally. No one disputes, or can dispute, this proposition. If, however, silver should go to a discount in gold, there can be no question that the benefits arising from Bimetallism would be even greater and more pronounced than they would be if exchange remained stable at the coinage ratio. Our own experience with a depreciated paper money, and the experience of every country now, or recently, using silver as their standard money, warrants this conclusion. There is, therefore, nothing to fear from Bimetallism, nothing to lose, and everything to gain. Let us have Bimetallism, and let us have it now and without waiting for the permission or co-operation of any other country.

CHAPTER XX.

MEXICO AND SILVER MONEY.

SEC. 319. In order to ascertain from investigation on the ground what effect a cheap silver money was having on the exports and imports of Mexico, on manufacturing industries, on agriculture, on the wages of wage workers, and on the general development of the country, I visited that country in February, 1899, and spent two months in the investigation of these questions in the City of Mexico and in other manufacturing centers.

SEC. 320. I have already quoted from the declaration of the Mexican delegates to the International Monetary Conference of 1892, their statement showing the increase of exports other than silver that had taken place in Mexico between 1873 and 1891. (See Sec. 313). I now quote from the official reports of the Mexican Government figures showing the increase of exports since 1891 up to and including the fiscal year 1897-98. The total exports in 1897-98 amounted to $128,972,749, of which $61,335,-647 was for exports other than silver, which shows an increase of $34,335,647 in seven years, which amounts to an increase of 127 per cent., an average annual increase of 18 per cent. The increase in Mexican exports for the fiscal year 1897-98 over the preceding year was $17,626-397. If the total period from 1873 and 1898 is taken into consideration and the total increase from $6,000,000 to $61,000,000 it shows an increase of 1022 per cent. or an

average annual increase of more than 40 per cent. for the intervening 25 years. (See Mexican Trade Review for February, 1899.)

SEC. 321. The Mexican delegates were unquestionably correct in their conclusion when they said: "The depreciation of silver as it has appeared to foreign countries —for in our own country values have not perceptibly changed—has produced an actual premium on exportation." Silver is still the money of Mexico. Everything produced in Mexico is produced on a silver basis, but they sell their exports for gold. It must be perfectly apparent that they can sell commodities produced on a silver basis at a considerable loss on the cost of their production when measured by silver, and still make an enormous profit by the 100 per cent premium they obtain for the gold they receive in exchange for their exported commodities.

SEC. 322. An article entitled "Mexico Twenty-two Years Ago and To-day," was published in the *Mexican Trade Review*, March, 1899, written by I. Dublan Montesinos, an able Mexican writer. Senor Montesinos, after quoting figures from the official reports showing the enormous increase in Mexican exports during that time, says:

"This increase of our exports is MAINLY DUE TO THE LOW PRICE OF SILVER IN RECENT YEARS. Contrary to the general belief abroad, the low price of silver far from being, or having been, injurious to this country, has, on the contrary, proved a great beneficial boon, since having at hand as we do, most every kind of raw materials for manufacturing purposes and paying our labor in silver, we can now produce at home many articles which but a few years ago we had to import from abroad paying their price in gold. The same can be said of all our tropical products. The depression of the white metal has given them a great impetus, while we reckon their production in silver, we sell them in foreign markets at gold figures. * * "

He also says:

"The intellectual progress of a nation is measured by the number and equipment of its public schools. The education of the Mexican people is the greatest problem now confronting the Mexican Government and, therefore, is now receiving from it all due consideration. Thousands of new schools have been opened during the peaceful period under review and while in 1877 there were only about 8,000 public schools they number to-day over 20,000 and the Federal Government as well as those of the different States are daily increasing the number. The present generation of the ignorant class of Mexicans may not profit at all from this spreading of education; but the next generation will take advantage of it and they will, undoubtedly, be quite different from their fathers who now earn barely sufficient to meet the first necessities of life, because of their habitual indolence, lack of ambition and almost complete ignorance.

"The industrial movement has been very marked during the last few years. All kinds of factories are springing up throughout the country ENCOURAGED BY THE LOW PRICE OF SILVER, and the decided protection given to them by the Government such as the exemptions from fiscal charges, the admission of machinery, implements and many raw materials free of customs duty, as well as the present excellent and prospective home market, not to mention the hope of many manufacturers who expect to send their goods to Central and South America, once the projected railroads now in construction reach the Pacific Ocean.

"Thus, at a glance, can be seen the noted contrast between the Mexico of today and that of 1877. Surely this country is rapidly taking her proper place among the civilized nations of the world and undoubtedly her future is assured."

SEC. 323. When in the City of Mexico I submitted to the editor of the *Mexican Trade Review* a series of questions in writing, which he, in turn, handed to Mr. J. P. Taylor, one of the best informed men in Mexico on the economic condition of that country, and an economist of no mean ability. Mr. Taylor was formerly the editor of *The Trader*, published in the City of Mexico. Mr. Taylor kindly answered my questions in the April number of the

Mexican Trade Review. The questions and answers were as follows:

Question No. 1—What is the present condition of Mexico—prosperous or otherwise?

Answer—This is a question which is easily answered. The present condition of Mexico is decidedly prosperous—prosperous without precedent in the history of the country. This remark applies especially to our three great industries: mining, agriculture and manufacturing. It likewise applies to the national finances. Four or five years ago Mexico's national expenditure considerably exceeded her income. Now she has a surplus of income over expenditure. Four or five years ago Mexican bonds could be easily purchased at a little more than half their face value. Now they are above par. Even Mexican State bonds, which no one would touch a few years ago, can now be placed at their nominal value.

Question No. 2—What is the position of wages now as compared with 10 or 15 years ago?

Answer—There has been a considerable increase in some districts and very little or none in others. On the whole, however, it may be said that wages have increased from 10 to 15 per cent. since 1885. As a general rule, there is but little skilled labor in the country, and this commands comparatively high remuneration. Almost invariably the establishment of enterprises in a given district by foreigners is followed by an increased rate of wages. Agricultural laborers earn as low as 37½ cents in some places and as much as 75 cents in others, the latter being few and far between. He finds his own food, but is generally supplied with some sort of house accommodation. Other laborers earn a higher rate of wages, on the whole—from 50 to 75 cents per day; in the case of operatives in manufactories, for instance. It must be remembered that the Mexican laborer's wants are few and are cheaply and easily supplied.

Question 3—Is there a demand for all available labor?

Answer—There is. Indeed, just now laborers are scarce in many districts. Naturally every dollar of foreign money brought into the country has a tendency to increase the demands for labor and to raise the wages of the laborer. The scarcity of labor in the districts alluded to is met by the introduction of labor from districts in which there is a superabundance of it. If labor-saving machinery was employed to a greater extent—comparatively little of it is used here

now—the labor of the country would be sufficient to meet the demand for some years to come. Then the laborers themselves, and this especially applies to the older ones, have little ambition and are easily satisfied—hence they are not inclined to over-exert themselves. The younger ones, however, who receive a smattering of education in the public schools, are more industrious for the reason that their wants are greater, and things which were luxuries to their fathers are necessaries to the children. The efficiency of labor is, therefore, increasing. Notwithstanding all this, attempts are now being made to introduce Chinese or Japanese laborers, and one or two batches of Chinese have already arrived.

Question 4—What is the purchasing power of silver as compared with 1873?

Answer—This is a question which cannot be readily answered. Leaving out of question goods of foreign manufacture—imported articles—it may be said that the purchasing power of silver has altered but little since the year named. Increased means of transportation has had a tendency to make things cheaper in many localities. Other causes have been at work with the same result.

Question 5—What is the condition of the manufacturing industries as compared with 1873?

Answer—Mexico had very little manufacturing in 1873. Her great manufacturing industries have been almost wholly established since that year if we leave the manufacture of cotton goods out of consideration, and this has probably trebled during the period referred to. Our manufacturing industries are now doing remarkably well—netting as a rule from 20 per cent. upwards on the capital employed.

Question 6—Condition of agriculture as compared with 1873?

Answer—It has vastly improved in every sense, especially tropical or semi-tropical culture.

Question 7—Business failures?

Answer—These are and always have been remarkably few in Mexico. The Mexican, from a business standpoint, may be at times wanting in enterprise, but he pays his debts. He is slow, often enough, but he is sure. It has often, and more or less truly, been said that there are more business failures in a comparatively small city in the United States than in the whole of Mexico.

Question 8—What does the exportation of Mexico amount to?

Answer—For the financial year 1897-98 the value of Mexican exports was $128,972,749, being greater by $17,626,255 than that of the previous financial year.

Question 9—Would Mexico be benefitted by the adoption of a gold valuation?

Answer—I am firmly of opinion that it would not. Explain it as you will but the fact remains that Mexico's greatest development—especially in the manufacturing line—dates from the time when silver commenced to seriously decline in value. Strange as it may appear at first sight, the question of the appreciation of gold, or the depreciation of silver—put it as you will—does not appear to concern the great bulk of the Mexican people. Their silver dollar buys practically as much home products as it did years ago, and they are content. The rate of exchange causes them no sleepless nights. With reference to the manufacturing interests it may be said that the depreciation of silver affords them extra protection, for it has a tendency to shut out foreign manufactures which have to be paid for in gold. The same thing largely applies to the tropical agriculturist. He pays his wages in silver and sells his product for gold. This is likewise true of the copper and gold mine-owner.

No doubt the fact that the Government had to pay the interest on its foreign debt in gold was a serious drawback—if not menace—to the country some few years ago, but now Mexico bears the burden with the greatest ease. Our great railways, too, were seriously affected in more ways than one by the depreciation in silver, for they had to pay interest on the bonds, etc., in gold. In fact they and some other foreign companies operating in Mexico were placed in a similar predicament to that of the Government. Local traffic—the most remunerative of all, in one sense—was, however, largely stimulated for reasons already mentioned, and our railways are year by year gradually increasing, not only their gross receipts but their net earnings as well.

On the whole it may be said that Mexico is perfectly satisfied with her silver standard and evinces no disposition to change it. All that is asked is that the rate of exchange should be steady, for fluctuations in exchange are very detrimental to importers and others.

Whether the silver standard would be a good thing for another country I do not know—It certainly seems advantageous for Mexico. The thing which was once thought to be a curse has turned out a blessing.

J. P. TAYLOR.

SEC. 324. I reproduce a part of an interview had with Senor Rafael Reyes Spindola, the editor and proprietor of *El Mundo*, the leading Spanish paper of the republic of Mexico. This interview was had about the first of February, 1899, with Senor Spindola by a reporter of the New Orleans *Picayune*, and was originally published in the *Picayune* and afterwards republished in the *Mexican Herald*. I quote from the *Mexican Herald* of February 14, 1899, Senor Spindola said:

"Silver has been the prosperity of the republic of Mexico," said Senor Rafael Reyes Spindola, the editor and proprietor of "El Mundo," the leading Spanish newspaper of that republic, who is a guest of the St. Charles for the carnival season. "The Mexican Government will never think of going to a gold basis. If all the silver production in the world should cease, yet Mexico could continue to do it with profit. This is possible not only on account of the cheapness of labor, but by the help of the mining laws."

"Do you consider that a silver standard would be of like benefit to the United States?" asked the "Picayune" reporter.

"From a Mexican standpoint I would say that the United States would be infinitely better with a silver standard. It would be the best way for American industries to secure the trade from Europe. With a silver standard, from pole to pole, America could control the European markets and be the absolute master of the trade situation of the world. All the South American republics would then trade with the United States; they would not buy a pin, even, of Europe under those conditions.

"The Mexican army formerly numbered 30,000 men," said he, "while today the army only numbers 18,000 men. Instead of bearing arms, these men have gone out of the army onto the plantations, into the fields, into the mines, working and developing the country. That is what we are doing with our standing army—developing the soil, the mines, the rivers and harbors. That reduces the expense of the Government fully one-half.

"Fifteen years ago the Mexican debt had no standing at all in the foreign markets—it was not even quoted. Today the same bonds in London and Berlin are at par and the credit of the country is excellent.

"The deficit of the Government was formerly between eight and nine millions of dollars. Now there is a surplus of twenty millions of dollars, after paying off all the coupons on the foreign and internal debt.

"The Government budget twenty years ago was drawn for twenty millions of dollars; today that budget calls for fifty-two millions, which proves very conclusively the increase in the export and import trade of the country.

"Railroads—twenty years ago Mexico had only 500 miles of railroad; today there are 17,000 miles of railroad in constant operation, most of which receives a subsidy from the Government. One noted exception, however, is the Mexican International.

"The Minister of Communications has made great improvement in bringing about a consolidation and connection of all the Federal telegraph lines, and in this way has succeeded in establishing meteorological observatories all over the country, which are run in connection with the weather bureau and are proving of inestimable value to the farmers, who, through this service, receive warning of cold snaps and temperatures which would damage their crops.

"In the Department of Justice and Public Instruction there has been a wonderful development in the increasing of schools, which increase has amounted to 1,000 per cent., or about ten times over what they were ten years ago. Public instruction in Mexico is enforced by all the Federal authorities. That is, the education of the lower class of citizens, including the original Indians."

"'Do you think the United States should acquire control of the Philippines?'"

"In my opinion, the Philippine Islands would give the United States more trouble by far than they would benefit her. The insurgents will always give trouble. They will fight forever and will never submit to American domination."

SEC. 325. The advantages which Mexico derives from a silver standard are very clearly and forcibly shown in an editorial published in *El Mundo* of February 10, 1899, from which I quote the following:

We have always maintained, and tried to prove on several occasions, that the fall in the value of silver is the cause of the unprecedented growth and prosperity of those countries using it as a national currency.

Our contention was based upon solid reasoning and a mass of important facts. The depreciation in the value of silver is a premium on exportation, and, consequently, on the products of silver countries. With silver at par, effects worth a dollar gold abroad are worth a dollar silver to the exporter; but if silver falls, the exporter receives the same dollar, in gold, or a dollar and a half, two dollars, or more, as the case may be, in silver. Hence the establishment of new industries, the culture of new crops, the exportation of additional products and on a greater scale; hence, also, the immigration of capital and labor, the increase of public revenue, and, in short, prosperity in every sense.

The facts which corroborate this contention are public and notorious, and in Asia, Africa, and nearly the whole of Latin America, both exportation and production have increased to such an extent as to alarm those old countries which adhere to the gold standard, and seriously jeopardize the industrial monopoly of the old world.

Time has added another striking proof of the correctness of this reasoning and the facts deduced, a proof which should be analyzed in order to disillusionize a number of people of the idea that the country would be better off on a gold footing and that everything possible should be done to raise the white metal from the state of decay into which it has fallen.

This new fact tends to show that the enormous prosperity enjoyed by certain countries having a silver or paper currency, has been interrupted and daily threatened with destruction in proportion as the premium on gold has decreased. Following the advice of the monometallists, Chile and the Argentine have made an effort to raise the value of the national paper currency to the level of gold. With this object in view loans have been floated for the purpose of retiring paper from circulation, and returning little by little to the gold standard. This monetary policy has resulted in the premium on gold decreasing, and it is believed that in time a permanent gold currency can be established.

We give below a narrative of the disastrous results which these measures have produced in the Argentine Republic, according to a letter written by the Argentine economist, Silvio Gesell, to "The European Economist:"

"Naturally, this rise in the value of the national monetary unit, is offset by a general fall in all prices, and it is curious and at the same time sad to observe how all the bimetallistic theories concerning the fall in prices, are here fully confirmed.

"Everything declines. Intelligent artisans emigrate, whilst immigration, which reached the figure of 15,000 persons per annum, has dwindled to almost nothing. The most extraordinary industrial competition prevails. The supply in all branches of trade exceeds the demand, whilst nobody thinks of starting new industries. Fiscal returns of all kinds are decreasing 'TO AN ALARMING EXTENT,' and this pitiful state of the public revenue only faintly reflects the general economic state of affairs.

"The same monetary policy has been followed in Chile, with the same result, with this difference, that as the methods employed have been more vigorous, things have reached a pass there (July, 1898) which we shall reach in a year or two, namely, the "Krack." Last month a state of things was reached in Chile, where all exchange and all remuneration for work became materially impossible, and the Government was compelled, by the force of circumstances, to again put into circulation, at a single stroke, all the paper which it had patiently and at such enormous sacrifices, retired during the last few years."

The Republic of Chile, after having decided to adopt the gold standard on February 11, 1895, and having in January, 1898, recommenced payment in specie, has suddenly been compelled to suspend monetary reform, in view of the economic confusion, as unfortunate as unforeseen, brought about by the retirement of the depreciated coin from circulation.

The foregoing gloomy picture contrasts strongly with the flourishing economic and financial situation of this country. Neither capital nor labor is emigrating from Mexico; indeed, the contrary is the case, and both are flowing into the country en masse sure of remunerative returns. Mexico is the scene of no industrial strikes, nor has she to limit her products; on the contrary, new factories are springing up and new lands are being brought under cultivation. Mexico knows no decrease in her revenues, no deficits in her budgets and no waning credit, but a surplus on hand, State values almost at par and solvency complete. The monetary horizon, gloomy in Chile and the Argentine, is bright in this Republic, all because we have refused to be seduced and hurried along by pernicious innovations; we have known how to preserve our monetary system and turn the premium on gold to account in developing our own manufactures.

Fortunately there are no longer any visionary partisans of the

gold standard in the country nor illusions with respect to the advantages of a pound sterling currency; but should the occasion arise, we shall confront all deluded persons with the examples of Chile and the Argentine, both as a lesson and a warning.

SEC. 326. I quote from the *Mexican Herald* of January 17, 1899, the following paragraph:

"The great activity noticeable here in the installation of new cotton mill machinery, many of the older mills replacing their plant, is a most gratifying sign of these prosperous times. Quite a number of mills are compelled by the increase of business to enlarge their premises. And this is in a country committed to the fatal silver basis, a 'poor miserable country' which pays gold interest on its six per cent. bonds, and sees them standing at par and far ahead of the securities of other Latin-American nations which have adopted the prosperity-evoking gold standard. Mexico offers to the world the spectacle of a daily refutation of closet theories of finance, a busy and progressive nation which meddles with no other country, is content with its imperial domain, its vast variety of resources, and best of all, earnestly desires peace."

SEC. 327. Senor Don Matias Romero, for many years Ambassador Extraordinary and Minister Plenipotentiary from Mexico to the United States, in 1898 published a book entitled "Mexico and the United States," on page 570 of which he quotes with approval an extract from a book published in 1897 by the "Mexican Central Railway Company Bureau of Information," entitled "Facts and Figures about Mexico." I reproduce this quotaton which is in the following words:

"Causes of Prosperity—While Mexico's prosperity is unquestionably due to a large number of causes, prominent among which are the suppression of disorder, the extension of railroads, and the liberal policy of the Government to foreign capitalists, it is very evident that her industrial growth has been powerfully stimulated by the existing monetary standard.

"When silver and gold, as valued in the world's commodities, parted company, and Mexican dollars (which were being exported to Europe) were sold for a less price as measured in the currency of

the gold standard countries, a rise in the price of all imported articles began in Mexico. From this time dates the development of Mexico's cotton and woollen industries, as well as the increase in the exportation of articles other than precious metals. The demand and the margin of profits for made-made goods increased as Mexican dollars depreciated. The native manufacturer enlarged his operations, introduced improved machinery, and began to compete successfully with many grades of imported goods.

"The consumer now purchases from the Mexican manufacturer at the same price in silver as when silver was at a par with gold, instead of being exported to Europe, as formerly. Many millions of dollars have thus been kept at home and added to the capital of the country.

"Cotton mills have been constructed in all parts of the Republic. The acreage of cotton is constantly increasing, but the native crop is not yet sufficient to supply the demand, and large quantities of cotton are imported from the United States.

"The history of the woollen trade has been almost identical with that of cotton.

"The Mexican manufacturer of woollens produces now a very good article, although he cannot yet compete with the finer fabrics of France and England. In former years there was a considerable exportation of wool to the United States; now there is a considerable importation of it from the United States into Mexico.

"While it is true that that the Mexican dollar, as measured in francs, marks, or pounds sterling, has decreased in value nearly 50 per cent., it is also true that prices of almost every class of foreign goods have also decreased 50 per cent. A suit of clothes made from the finest quality of imported goods costs only the same number of Mexican silver dollars to-day that it cost twenty-five years ago.

"Note also the effect on real estate. Coffee plantations have risen in value from $75 or $80 an acre, the price when gold was at par with silver, to from $200 to $800 an acre. The annual profits of these plantations have risen from $10 or $15 an acre to from $50 to $150 an acre. Similar advances are true also in sugar and tobacco haciendas.

"The premium on gold has been the cause of immense internal improvements throughout the country. The capital kept at home has been invested in irrigation schemes, in improving large tracts of fallow land, and in other enterprises of a like character. The

premium has also brought much foreign capital here, which has been invested in various branches of industry, particularly in the production of articles for exportation.

"The foreign investor doubles his capital when he brings it to Mexico. He gets the advantage of cheap and docile labor for silver, and sells his exported products for gold.

"This great stimulation to all industrial enterprises, the building of railroads, the establishment of factories, and the cultivation of thousands of acres of land—all these have had a notable effect upon the people. The great demand for labor has benefitted them immensely, and has promoted peace and prosperity throughout the country.

"The resources and opportunities of Mexico have only been recently revealed to her own people, as well as to foreigners. It is much easier now than it ever was before to get capital here at a relatively low rate of interest for any legitimate enterprise, because, first, there is more money in the country than when we were importing so largely; and because, secondly, the business man is willing, under present conditions, to take risks which would be considered too great in an era of low prices and a contracted currency.

"The native producer has prospered under silver at the expense of the foreign merchant and of the importer. Silver in Mexico has stimulated exports and contracted imports."

SEC. 328. I also quote from Romero's book, page 528, a paragraph on Mexican wages and silver which is in the following words:

"MEXICAN WAGES AND SILVER—The impression generally prevails in this country that Mexican wages are reduced to one-half of their old amount in consequence of the depreciation of silver, reasoning that if wages were twenty-five cents a day, for instance, when silver was on a par with gold at the ratio of 16 to 1, now that it has declined about 100 per cent.,* wages of twenty-five cents in silver are equivalent to twelve and a half cents in gold, and that wages not having increased in the same proportion that silver has depreciated, the result must be that they have been reduced one-half. This is a mistaken conclusion. In an article which I

* The words "100 per cent." are unquestionably a typographical error or a slip the pen, as 50 per cent., or one-half, was unquestionably meant.—A. J. U

published in the "North American Review," of June, 1895, I explained the results of the silver standard in Mexico, and showed that the purchasing power of the silver dollar remains there the same as it was when silver was on a par with gold, in so far as Mexican commodities and services are concerned, and that prices have only increased somewhat for imported articles, or for such Mexican products as have their prices regulated in foreign markets. I refer, therefore, the reader to that article, which will be found in this volume, and here I will only say that WITHIN THE BOUNDARIES OF MEXICO THERE HAS BEEN NO SUCH THING AS A DEPRECIATION OF SILVER, AS SILVER HAS MAINTAINED ITS OLD LEVEL WITH REGARD TO COMMODITIES. IT PURCHASES AS MUCH NOW AS IT DID BEFORE ITS DECLINE IN VALUE RELATIVE TO GOLD BEGAN. It pays for as much labor as before, and in the hands of the laborer it purchases as much of the necessaries of life. It is only in connection with imports that the premium on gold or the decline in silver has caused an advance in price. But the laboring population purchases little that is imported, and so whether imported goods cost more or not is of little or no consequence to persons of that class. In many cases even the price of imported articles has not enhanced, notwithstanding the depreciation of silver.

"Very many believe that the low rate of wages in Mexico is due to the depreciation of silver, and those professing this opinion are very much mistaken, because when, thirty years ago, silver was at a par and even at a premium with gold at a ratio of 16 to 1, the wages in Mexico were lower than they are now, and the Mexican laborer was not so well off as he is today.

"To make a proper investigation about the condition of the Mexican laborers in connection with the money standard, it would be necessary to extend that investigation to gold countries such as Spain, Italy, Germany, Turkey, etc., etc., so as to see to what extent the money standard affects the prosperity of the working classes. I think that the standard of money has very little to do with the condition of labor. The silver standard has nothing to do with their reward; they would earn no more, in proportion, were the country on a gold basis. In fact, tens of thousands of them would be out of employment by reason of the impossibility of competing with the workers of gold standard countries.

"Under the operation of the gold standard farm labor received three times as much in one part of the Union as it did in another part, as is

shown by the above quoted publication of the Agricultural Department, entitled, 'Wages of Farm Labor in the United States.' The fact that wages in each State were ascertained by averages, shows that the difference between the best-paid labor and the poorest-paid labor is still greater. That report also shows that in the United States Caucasian farm labor receives more than three times as much as the same labor receives in Germany, although both countries have a gold standard and a protective tariff. (See Special Consular Report 1896 entitled 'Money and Prices in Foreign Countries,' p. 263.)

"Between 1816 and 1834 England had a gold standard and the United States a double standard, with silver as the money in common use, and laboring men were better off here than in England. Turkey is one of the gold standard nations, and Japan, until recently, coined silver at a ratio almost identical to that of the United States, and yet the progress of Japan was really remarkable. All this shows that silver is not the cause of the low wages of Mexico."

SEC. 329. I will make one more quotation from Romero on the question of wages. I quote from the same book, page 521:

"It is a fact that wages in Mexico are far lower in many instances than those paid for the same industries in the United States, although sometimes, that is, in the case of skilled laborers, they are as high or higher; but this ought not to appear strange when it is considered that this country pays probably the highest wages in the world; not even the foremost manufacturing nations of Europe, as England, France, Germany, and Belgium, being equal in this regard. Yet while it is true that labor in European countries is not so well remunerated as in the United States, it must be taken into account that the same amount of labor produces there less than here. I am assured by competent persons that a bank-bill printer, for instance, does not print in England more than 1,000 sheets per week, while the average work done by the American workman is 6,000 sheets per week; and it is stated in the "Journal des Economistes" that a French weaver can take care of only four looms, a Belgian of five, an English weaver of six, and one from this country of eight, while a Mexican weaver cannot attend to more than two looms. But the actual production during a given working time is in Mexico far less than in the United States, or even in Europe.

"The day's work of a Mexican laborer, very likely, represents in many cases only one-fourth of what is accomplished during the same time by a laborer in the United States. A Mexican laborer working from ten to eleven hours a day, for instance, accomplishes less work, or produces less, than a European or an American laborer in seven or nine hours, and in some instances the disproportion is as great as one to five. I have been assured that a Mexican bricklayer in eleven hours' work does not lay more than 500 bricks, while a bricklayer in the United States lays 2500 in nine hours. Under such conditions the high wages of $3 a day paid in the United States are no higher than the wages of 50 cents paid in Mexico, so far as the product of labor is concerned."

SEC. 330. Thomas T. Crittenden, Consul General from the United States to Mexico, in his Consular Report written in 1896 and issued from the Bureau of Statistics, Department of State, Washington, D. C., 1896, Volume XIII. Part 1 (I quote from pages 143, 144, and 145), said:

"Wages of unskilled labor has been almost unaffected by the premium on gold. The great stimulation of all enterprises, the building of thousands of miles of railroads, the establishment of numerous factories, and the bringing under cultivation of thousands of acres of land, has given employment to vast numbers of men. This, of course, has had its effect in raising wages and bettering the condition of the laboring classes, at the same time reducing the revolutionary spirit that heretofore had great sway in this country. It has been a most difficult matter to make this roving class of people, by whom this country is largely populated, think and believe that prosperity and plenty only come with peace; now that they understand, with but few exceptions they are thoroughly contented."

SEC. 331. Mr. Crittenden, after explaining the difficulties he had labored under in obtaining reliable information as to the prices of many commodities as far back as 1873, says:

"However, it is a fact that the price of eatables and produce raised here and consumed by the natives, such as 'frijoles,' 'tortillas' and 'chiles,' as well as the cheap 'manta' (common shirting), hats and zarapes, have not changed. Their value has in no way been

affected by the rise and fall of silver. * * As to imported luxuries and fineries, they are, when the difference in the price of silver is taken into consideration, more expensive now than in 1873. However, the consumption and use of imported articles is limited almost entirely to the rich and traveled natives and foreigners."

SEC. 332. Consul General Crittenden while in Kansas City, Missouri, in May, 1895, in an interview published in the *Star* of that city, May 2, 1895, stated that the purchasing power of silver money in Mexico was as great or very nearly as great as the purchasing power of gold in the United States. I quote from "Mexico and the United States," page 529:

"Such a condition exists," he said, "but the explanation is yet to be found. The Mexican dollar is worth about 52 cents in American money, but I can buy just as good gloves for $1.50, Mexican money, in Old Mexico, as I can buy anywhere in America for $1.50, American money. On one of my trips here I wore a very good suit of clothes, made to order in a very satisfactory manner, which cost me just $12 in the Mexican capital. You can get an elegant suit of clothes made to order there, in the best style, for $35, Mexican money. Shoes that cost $5 a pair here, bring $3 a pair there, no matter whether they were made in Paris or in Mexico. A very large proportion of the shoes sold in that country come from France. They seem to be as good as ours, although I do not like the fit quite so well, and I usually buy my shoes here. What seems remarkable to me is that goods of American manufacture sell for less in Mexico than in the United States. My wife does most of the buying and from her I learn that she can buy the finest silk underwear—she bought some for me recently—for 25 per-cent. less in Mexico than in this country. I understand, too, that the Jaeger underwear is much cheaper there than in American cities. I don't pretend to account for it. The goods are made in New York and they pay a high duty, certainly not less than 25 per cent. ad valorem, in the Mexican port of entry.

"My wife gets the finest Irish linen for fifty cents a yard in Old Mexico. In fact, we buy everything in the clothing line, except shoes, in Mexico, in preference to buying here, as goods are so much cheaper there.

"The Mexicans are very fond of jewelry, and get it very much cheaper than we do. There are jewely stores in the City of Mexico finer than any that I ever saw in an American city. Last winter one of the Lucases of St. Louis—James Lucas, I believe—made a trip around the world, and finally reached the City of Mexico. His daughter was with him. While in Paris the young woman saw a very fine gold watch, which she wanted. The price there was $225 in American money, and her father decided not to buy it. When they reached Mexico she saw an exact duplicate of the watch she had seen in Paris, and again asked her father to buy it. They inquired the price and found it was $225 in Mexican money, or just half the price asked by the Parisian jeweler. Mr. Lucas offered his check and referred the jeweler to me. Now why such a piece of jewelry should be sold in Mexico for half the price asked in Paris, I don't know, nor can I explain why American-made goods should sell for less there than in St. Louis or Kansas City, but it is a fact."

SEC. 333. The key for the solution of this mystery will be found in "Trusts" and "Protective Tariffs." Trusts, syndicates and combines now control the production of more than three hundred articles of every day use, articles of absolute necessity, extending from the cradle in which the infant child is lulled to sleep to the coffin which receives the remains of the gray haired man when life's journey is over. Many of these trusts are international, embracing the entire Western World. (For a partial list of trusts, at least those in existence in 1894, and the articles controlled by them see Appendix to "Wealth vs. Commonwealth," a very excellent book by Henry D. Lloyd, published by Harper & Brothers in 1894).

SEC. 334. The price we are required to pay for articles so controlled has no economic significance whatever, it is not regulated by the ordinary course of the law of supply and demand, but by the arbitrary will of the men who control the trust. And when trusts are aided

by a so-called "protective tariff" which virtually prevents the introduction of foreign goods in competition with goods produced by the trust they become omnipotent. They increase or diminish the output at pleasure, and in fixing the price of the commodity so produced and so protected, the greed of the trust and the necessities of the people are the controlling elements. The cost of production does not enter into the calculation. If the supply is greater than the demand at the price fixed the production ceases until the necessities of the people compel them to purchase at the price demanded.

SEC. 335. When the revenue laws are of such a character as to virtually prevent the importation of foreign goods in competition with those produced by a trust, the trust can fix any price it pleases and the people must submit no matter how extortionate. But when a trust sends its goods to a foreign country it must there compete with foreign producers. While at home it may with impunity rob consumers, it must in foreign countries sell at a fair price. This explains how certain commodities produced in the United States can be sent to Mexico and, after paying an import duty to the Mexican Government, commissions to agents, freight charges, etc., etc., sell the goods in Mexico for one-half of the price demanded and received in this country.

SEC. 336. There is no diversity of opinion in Mexico on the silver question. During my investigation in Mexico I interviewed, probably, not less than one hundred prominent men among whom were Government officials, railroad officials, merchants, manufacturers, bankers, coffee planters, cotton planters, newspaper men, lawyers, doctors, hotel proprietors, etc., etc., and I found but one gold standard advocate and he was not a Mexican but an American now employed in a clerical position in

the City of Mexico. I will not say that there is not a Mexican in the Republic that favors a gold standard but I will say that after diligent search for two months I failed to find one. All the talk in this country about the probability of Mexico adopting a gold standard has no foundation in fact whatever. It is universally believed in Mexico that the present wonderful development of the country and the general prosperity of the people is largely owing to their abundant cheap silver money and they have no intention of adopting a gold standard.

SEC. 337. While in the City of Mexico I had a conversation with the president of a prominent bank in that city and after he had declared in very positive terms his belief that Mexico owed her present prosperity very largely to her abundant and cheap silver money and that it would be suicidal for Mexico to adopt a gold standard, I expressed my surprise to hear such a declaration from the president of a bank, as bank officials in the United States were almost without exception gold standard advocates. He replied that banking in Mexico is quite different from banking in the United States; that loaning money and discounting bills is not the exclusive business of a Mexican banker; that the Mexican banker is also an investor; that many of the banks in Mexico are largely interested in manufacturing and other industries, and like other business men are interested in the general development of the country and that consequently they were ready and willing to favor a financial policy that would produce the best results for the country and for the people generally. He said that Mexico did not want a gold standard, that so long as she could produce on a silver basis and sell her exports whether manufactured articles, or agricultural or mineral products for gold and in so doing pocket the premium on the gold, she would remain satisfied with the present financial situation.

SEC. 338. Romero in his recent publication hereinbefore quoted from (page 576) in discussing the monetary situation in Mexico, says:

"Everybody in Mexico, that is, from the educated to the ignorant, from the rich to the poor, from the natives to the foreigners, and even the bankers, who in other countries are decidedly favorable to the gold standard, are all in favor of silver. The Government holds the same opinion. As Mexico is now prosperous a large portion of the people attribute its prosperity to the silver standard, and are therefore decidedly favorable to the continuance of that standard.

"It is not strange that Mexicans think so when prominent and able foreigners living there hold the same opinion.

"Mr. Lionel E. G. Carden, the very able British Consul at the City of Mexico, who has been in Mexico for nearly eighteen years and understands the country well, has expressed official views on this subject which go much further than my own. He holds that, while the first effects of the depreciation of silver on the Mexican Government and on the Mexican railroads were unfavorable, the ultimate result will be beneficial and will tend to increase the country's agricultural resources and consequently the republic's export trade, provided that a price shall be arrived at not subject to fluctuations; and that the greatest disadvantages that the Mexican Government and railways suffer from the depreciation are therefore the constant fluctuations in the market price of silver. Mr. Carden's views appear in a report on the effect of the depreciation of silver in Mexico, addressed to Lord Rosebery on August 4, 1893.

"Mr. Carden in a later report to the Foreign Office on the trade of Mexico in 1895 attributes to the depreciation of silver the expansion of that trade and of the general prosperity of the country as follows:

"'This favorable condition of things must be attributed in great measure to the stimulus afforded to the development of the agricultural resources of the country by the depreciation of silver, which, far from being prejudicial, has proved to be the greatest benefit to Mexico, as I predicted it would in my report on that subject of August, 1893.'"

SEC. 339. While in Mexico I had a very interesting interview with Mr. Carden and he explained to me why there had been so little rise in Mexico in the price of imported goods. Mr. Carden said:

"I have been Consul for Great Britain in Mexico for sixteen years, and I have made a careful study of the conditions prevailing during that time. The silver money now in use in Mexico will go as far in support of the family of the laborer as it would when gold and silver were of equal value at the coinage ratio for all commodities produced in Mexico. Imported articles cost more but not so much more as would naturally be supposed. There are two reasons for this: (1) Most articles now imported from gold standard countries have fallen in value in those countries (either from improved methods of production or from some other cause), and (2) Import duties being paid in silver actually amount (as measured by gold) to but one-half what they did before. For example, suppose we imported a commodity costing $100, and that the duty was $80; formerly the duty being paid in gold, or in silver of equal value, the cost of the commodity, exclusive of transportation, laid down in Mexico would be $180. Now the same commodity can in all probability be purchased in Europe or the United States for two-thirds the former price, say $66. The duty still remains $80, but this being paid in silver, which is now worth as measured by gold but fifty cents on the dollar, the import duty would amount to $40 only, gold valuation, instead of $80 as formerly. This $40 duty being added to the $66 cost we find that the commodity formerly costing $180, now costs but $106, and consequently can be sold for silver at a slight advance only on the former cost. Some imported goods are sold in Mexico today for less silver money than they formerly brought in gold, but most imported goods when measured by silver are somewhat higher than formerly.

"Labor is well employed. There is work for all that want work. Employers are seeking laborers, not laborers seeking employment. Wages have not advanced materially since I have been in Mexico, except in special localities and for special work, such as railway construction, etc. The special localities I refer to are mostly in the hot country where labor has always been more highly paid. The great increase in the cultivation of tropical products has caused an increase in the demand for laborers and a consequent increase in wage."

SEC. 341. During my conversation with Mr. Carden and in illustration of the statement that even imported goods could be purchased in Mexico for the same, or for nearly the same, amount of the so-called depreciated silver money, as was formerly paid when gold and silver were of equal value at the coinage ratio, Mr. Carden asked me what the shoes I was then wearing cost me in the United States. I had on a pair of congress gaiters that I purchased in Los Angeles for which I paid five dollars and I so informed him. Mr. Carden had on a pair of gaiters very similar in appearance. Placing his foot alongside of mine he said: "What do you suppose I paid for these gaiters? They were made in France, were imported to this country and I purchased them in this city and paid for them with Mexican silver money." I answered that I presumed that he paid about ten dollars. He replied that he paid just four Mexican silver dollars for them, and that four dollars was the ordinary retail price in Mexico for such shoes, and "I think," said he, "they are as good as yours."

SEC. 342. In support of Mr. Romero's statement that even the bankers in Mexico are loyal to the cause of silver, I quote a paragraph from an editorial in the *Mexican Herald* of November 4, 1897, entitled "Mexican Bankers and Silver:"

"Why are our great bankers so loyal to the cause of silver? Why are they not gold monometallists as are the bankers of England, the United States, and the continent of Europe? It is because they are not merely bankers; they are heavy investors and directors in new manufacturing industries dependent for their prosperity on the continued use of silver as money in this country They take a broader view of the currency situation than do bankers abroad, because they are factors in the great manufacturing movement, which has for its ultimate purpose the achievement of Mexico's industrial independence. Being something more than the

lenders of money, they are liberal in their ideas and are not blinded by prejudice. They can see all sides of the currency question. There are many able and sagacious men among the bankers of Mexico and they are, with hardly an exception, bimetallists. They are not trying to make money dear, they are not wrecking properties—rather are creating industries."

SEC. 343. I quote from *The Trader* (a Mexican monthly journal) May number, 1898, the following paragraph:

"Mr. John W. Grant, president of the Traders' Bank at Evansville, Indiana, after returning home from his recent visit to this republic, said: 'Everything is prosperous in Mexico, and after five years of crop failures and a constant decline in silver, the money of the country, I can say positively that there is no financial trouble anywhere and no failures in business worth mentioning; the Government met the interest on the national debt, all the shops are full of customers, and every one from the highest in the land down to the lowest, is full of admiration and love for President Diaz.' Such an admission from a banker must be very galling to those savants who have been so zealously advocating the gold standard for the United States, using as premises the false representations of the newspapers of that country concerning conditions here."

SEC. 344. In an interview with Gabriel Morton, Vice-President Mexican National Railroad, Mr. Morton said:

"I have been in Mexico seven years. This country is in a prosperous condition and is being rapidly developed. Manufactories are being established all over the country, and generally are being run to their utmost capacity, and are making money. The condition of the skilled workman has been greatly improved. He is receiving better wages, and now has constant employment, at least an opportunity for constant employment. There is a constant demand for all available workmen. In this country it is the employer seeking the workman, not the laborer seeking employment, as in some other countries.

"Question—You say, Mr. Morton, that the skilled workman is receiving better wages than formerly? Is he not being paid in depreciated silver money worth only 50 cents on the dollar?

"Answer—He receives his pay in Mexican silver dollars, but whether those silver dollars are depreciated or not depends upon

what you measure them with. It is true that the silver that he receives, if exchanged for gold, would only buy about one-half the quantity of gold it formerly would buy, but if exchanged for "frijoles," "tortillas" and "chiles," upon which he lives, and for the cheap "manta" and "sarapes" with which he clothes himself, it has not depreciated. It will buy as much of the necessaries of Mexican life as it ever would. It is true that the prices of imported commodities are higher in this country than they were twenty or twenty-five years ago, but the rise in price of imported goods does not affect the ordinary laborer, for he does not buy imported goods. There have been considerable fluctuations in the price of corn, beans, peas, etc., the ordinary diet of the poorer class of Mexicans, since I have resided in Mexico, but such fluctuations have been occasioned by short or abundant crops, and in no sense have they been influenced by the divergence between the commodity values of gold and silver.

"Question—Do you think Mexico would be benefitted by a gold standard?

"Answer—I do not. I think such a step would be an economic blunder that would be fatal to industrial advancement in the republic. Mexico is today the most prosperous country in the world, all things considered. It is being more rapidly developed, more railroads are being built, more manufactories established, more improvements of all kinds are being made proportionately, especially when we take into consideration the previous conditions of its people, than in any other country in the world. Japan has tried the gold standard experiment, and it has resulted in checking materially her industrial progress."

SEC. 345. While in Mexico I had an interview with Mr. Vail, managing editor of the *Two Republics*, in which Mr. Vail said:

"The present industrial condition in Mexico is eminently satisfactory. Wages as compared with wages paid ten or fifteen years ago have advanced considerably. There is now a demand for all available labor. In certain parts of the republic Chinese and Japanese laborers are being imported owing to a shortage of farm labor. Silver money in Mexico will buy as much of domestic goods as it ever would. Some classes of imported goods are higher than formerly but not very much higher. Manufacturing industries are

in a high state of prosperity. Business of all kinds is good and business failures are almost unknown. Exports are steadily and rapidly increasing. The general impression among business men and Government officials is that Mexico would be injured by a gold standard. The high price of gold has encouraged exports and discouraged imports. This has stimulated the establishment of manufacturing industries and encouraged agriculture, especially the production of such commodities as can be exported and sold in gold standard countries. In fact Mexico enjoys a gold valuation on a silver basis."

SEC. 346. Mr. Purdy, manager for R. G. Dun & Co. in the Republic of Mexico informed me that: "Business failures in the sense of the parties going into bankruptcy and quitting business very seldom occur in Mexico, in fact that the proportion is so small comparing them with failures in the United States as to induce one to almost say there are practically none."

Mr. Purdy also said: "I have no hesitation in saying that a gold standard would not do for Mexico, at least not at present. If Mexico should adopt a gold standard it would close her factories and paralyze her industries generally."

SEC. 347. Mr. Hegewisch, senior partner in the firm of Hegewisch, Fuss & Co., exporters of grain and other Mexican products and a member of the Mexican Congress, said:

"Mexico is at present very prosperous, no difference of opinion on this subject. Farm wages nearly the same as they have always been, highest on coffee and tobacco plantations. Higher also in manufacturing centers. There is a demand for all available labor, demand increasing yearly. Problem source of supply. Silver purchases as much today as it ever did, excepting of course imported articles. Home manufactures increasing so much that the working classes need not buy imported articles. In the way of food or clothing, good cheap substitutes are provided in this country. Manufacturing industries of all kinds prosperous. But few existed fifteen or twenty years ago. Agriculture is prosperous

and is far more varied at present than it was fifteen or twenty years ago. Many agricultural products are exported, such as coffee, tobacco, grain, etc., which twenty years ago were hardly sufficient for home consumption. Failures are seldom heard of. Sharp competition as exists elsewhere is not as yet an element likely to bring about failures. Speculation as understood in the United States is unknown here. Exports show a marked increase yearly. Mexico would be ruined if it were to go to a gold standard."

SEC. 348. In an interview with J. M. Fowler had in Los Angeles, California, in January, 1899, Mr. Fowler said:

"I was in Mexico for the purpose of locating a tract of land for American investors. I was in the republic about eight months and went over most of the tropical portion of Mexico—the country south of the City of Mexico.

"The people are generally prosperous. I do not believe there is a man in the Republic of Mexico that could not get work at any time that he desired to work. The range of wages for farm labor is from 30 cents to $1 per day. One dollar to $1.50 is paid for railroad building. The 30-cent laborers are Indians. In some parts of the republic Indians receive as high as $1 per day.

"Mexico is improving very rapidly. In the last ten or fifteen years there has been a wonderful development in manufacturing industries.

"I do not think the purchasing power of silver has declined in Mexico, at least so far as Mexican products are concerned. Tailors in Mexico claim that they can make as good a suit of clothes today for $25 in silver money as they could make twenty-five years ago for $25 in gold. Silver will go as far in the payment of freight or fare on railroads as it ever would. The people are prosperous, contented and happy. When I say the people are prosperous I do not mean to be understood as including the Indians. The Indian is satisfied when he has enough to eat, as a rule he has no ambition and never accumulates much property; there are some exceptions but generally he will not work if he has a week's provisions in stock.

"Take the country as a whole, Mexico is in a very prosperous condition. There are more improvements of all kinds going on in Mexico today and property is advancing more rapidly in value than at any other time in the history of that country. This rapid growth

and general prosperity is usually attributed by the Mexican people to their abundance of cheap silver money, and in this I think they are right."

SEC. 349. In an interview with Mr. E. G. Ord, Mr. Ord said:

"During the year 1898 I was Master Mechanic in a tinware manufactory in Monterey, Mexico. It is a large establishment employing 300 or 400 men. Wages paid unskilled workmen averaged about one dollar per day.

"Mexico is in a very prosperous condition. Monterey is a city containing about 60,000 inhabitants and is an important manufacturing center. Twenty years ago it was a small town of 4,000 or 5,000 people. There is no difference in opinion in Mexico on the silver question. It is universally believed by the people that the abundance of cheap money in Mexico has been the principal cause of the wonderful growth and development of the country.

"Everything produced in Mexico is produced on a silver basis, and when exported and sold for gold, the premium received on the gold is sufficient in itself to stimulate production to its utmost limits.

"Silver in Mexico has not depreciated. It will buy as much now as it ever would. The divergence between gold and silver, at least so far as Mexico is concerned has not been caused by a depreciation in silver but by the appreciation of gold.

"The wages paid for Mexican labor is much better than it was twenty or twenty-five years ago, and it stands to reason that if the laborer receives more money and the money received has the same purchasing power dollar for dollar now that it formerly had that the laborer's condition has been improved."

SEC. 350. Interview with Senor Lic. L. F. J. Austin, March 16, 1899:

"Senor Austin said: 'I am a resident of Mexico. I have resided in the republic for fifteen years. I am interested in as part owner, in fact principal owner, of a coffee plantation in the State of Oaxaca, in this republic. We employ a large number of men on the coffee plantation. We pay our men 50 cents per day. Wages are much higher than they were fifteen, ten, or even five years ago, and are constantly rising as the demand for labor increases. Wages in

certain localities are 100 per cent., and even more than 100 per cent. higher than they were ten or fifteen years ago; in other localities they have not advanced so much, but it is a conservative estimate to say that the wage of the laborer, upon the average, the whole republic taken together, has advanced at least 25 per cent. within the past fifteen years.

"'Imported goods, at least certain classes of imported goods, are some higher, but not very much higher, than they were fifteen years ago, but Mexican commodities, especially such as are consumed by the poorer classes, are no higher, when measured by silver, than they were then. Of course there has been fluctuation in the value of Mexican commodities caused by short or abundant crops.' [After referring to statistics Mr. Austin continued as follows]: 'For instance, beans per load of 300 lbs. in January, 1889, could be purchased on the market for $7.00. In September, 1892, they were worth $22.00, and in June and July, 1895, only $7.00. Corn in January, 1889, was worth $4.60 per load; in September, 1892, $10.00; and in July, 1895, $5.00. Wheat in January, 1889, was worth $11.00 per load; in April and May, 1894, $13.50; and in December, 1895, $11.00. These fluctuations in price, however, had no connection whatever with the relative value of gold and silver, but were caused by short or abundant crops.

"'The silver money received by the laborer now will go as far in supporting himself and family as the silver received by him when gold and silver were of equal value at the coinage ratio. The divergence between gold and silver, at least so far as Mexico is concerned, has been caused by a rise in the value of gold, not by a fall in the value of silver. Silver will buy the same or nearly the same quantity of Mexican product now that it would in 1873, while gold will buy twice as much as it would in 1873. Hence it necessarily follows that it is gold and not silver that has changed in purchasing power. This is certainly true so far, at least, as this country is concerned.

"'Again, the so-called depression in the value of silver, but which in fact, is an appreciation of gold, operates as a bounty on exports. Commodities which could not be produced in this country for export when gold and silver were of equal value at their coinage ratio, can now be exported at a profit. Everything here is produced on a silver basis. Coffee, for instance, can be produced in this country and exported to Europe or the United States and sold at a

loss on the cost of production of 10, 15 or 20 per cent. and the exporter will be reimbursed by the premium of 100 per cent. on the gold received in payment, leaving him a very handsome profit. The Mexican coffee planter wants nothing better than this. He is satisfied with the present financial situation.

"'Mexico at the present time is more prosperous and is being more rapidly developed than at any other time in her history. Railroads are being built all over the republic, areas of land heretofore uncultivated are being improved and brought under cultivation. There is a demand for all the labor that can be obtained. Such a thing as an unemployed willing worker in Mexico is unknown. The people are prosperous, contented and happy and are perfectly satisfied with the present financial situation.'"

SEC. 351. While in Mexico I had an interview with General C. H. M. y Agramonte, a prominent lawyer of the City of Mexico and proprietor of the *Anglo-American*, who said:

"Mexico at the present time is in a very flourishing condition. The wage of the wage-worker is much better than formerly. In my opinion wages have advanced 25 or 30 per cent. within the past fifteen or twenty years. There is a demand for all available labor. No man in Mexico need be unemployed. The purchasing power of silver money is as great today in Mexico as it ever was so far as Mexican commodities are concerned. It will go as far in the hands of the laborer in purchasing the necessaries of life as it would when gold and silver were at par at the coinage ratio.

"Some classes of imported goods are higher than they were, but are not very much higher. The general fall in prices in gold standard countries and the saving we make in import duties by paying such duties with money the gold valuation of which is but 50 cents on the dollar has prevented the rise of imported goods very much above their former level. Manufacturing industries are immeasurably better off than they were twenty years ago. In fact almost all of the manufacturing industries of this country have been established within the last twenty years. The manufacturing industries are in a very prosperous condition and are paying handsome dividends. Everything produced in Mexico is produced on a silver basis and when exported is sold for gold, and manufactured goods or agricultural products produced for export

can be shipped to Europe or the United States and sold at a loss of 25 per cent. on the cost of production and transportation, and the exporter will be reimbursed and a handsome profit secured by the premium of 100 per cent. obtained on the gold he receives in exchange for his exports.

"Thus encouraged there has been a wonderful development in agriculture. Hundreds of thousands of acres of land have been opened up to cultivation within the past twenty years, and a large export trade has been built up. Business failures are almost unknown in Mexico. Exports are steadily and rapidly increasing. Much of Mexico's prosperity dates from the time that a serious divergence between gold and silver manifested itself, and as this divergence between the metals increased the development of Mexico and her general prosperity increased. Mexico does not need a gold standard. There seems to be no disposition on the part of the people, or of the Government, to make any change in our monetary system."

SEC. 352. Romero on page 594 of "Mexico and the United States," says:

"A change from the silver to the gold standard would cause in Mexico general ruin, as we do not yet produce gold enough to base our currency on that metal, and as our export of commodities is not yet sufficiently large to allow us to buy all the gold we need for that purpose."

SEC. 353. He also says, see page 596:

"The silver standard encourages very materially, so long as other leading commercial nations have the single gold standard, the increase of exports of domestic products, because the expenses of producing them, land, wages, rent, taxes, etc., are paid in silver, and therefore their cost, as compared with their market value, is considerably less than that of similar articles produced or raised in single gold standard countries. When sold in gold markets, therefore, they bring very profitable prices, as they are converted into silver at a high rate of exchange. These conditions have caused a great development in the exportation of some of our agricultural products, because they yield very large profits; coffee, for instance which costs on an average about ten cents a pound to produce it, all expenses included, has been sold at about twenty cents in gold in

foreign markets. The export of other agricultural products which did not pay when gold and silver were at par, that is at the ratio of 16 to 1, is now remunerative, because there is returned to us in exchange more than we lose in the gold price of the article. The same is the result of some agricultural products that we could not export before because their price in foreign markets was not remunerative. Such is the case, for instance, with beans, which at eight cents would not pay when gold and silver were at par, but now that eight cents in gold make about sixteen cents in silver, it is a profitable price."

SEC. 354. He also says, see page 597:

"The silver standard is a great stimulus to the development of home manufactures, because foreign commodities have to be paid for in gold, and, owing to the high rate of exchange, their prices are so high that it pays well to manufacture some of them at home, our low wages also contributing to this result."

SEC. 355. He also says, see page 602:

"Our silver standard encourages the investment in Mexico of capital from rich countries having the gold standard, since every gold dollar when sent to Mexico is converted into two silver dollars, at the present rate of exchange, and, when invested in lands, wages and other expenses for the raising of agricultural products which are sold for gold in foreign markets, like coffee, the proceeds are so large that they constitute a very great inducement for the investment of capital."

SEC. 356. I quote a few paragraphs from the leading financial journals of Japan and Chile for the purpose of contrasting the unhappy and distressed condition of Japan and Chile under a gold standard with the prosperous condition of Mexico under a silver standard and ask the reader to determine for himself which is the better system.

JAPAN.

SEC. 357. The effects produced in Japan by the adoption of the gold standard in that country have not been beneficial. The *Fiji Shimpo*, one of the important papers of the Empire, in reviewing the year 1897, says:

"The adoption of the gold standard is the worst mistake ever committed by the Government in the long history of the thirty years that have passed since the present Meiji era began. The Matsukata ministry, however, must bear the full responsibility for it. The prospect which the country had of still further developing her industries owing to the depreciation of silver compared with gold has now been ruthlessly thrown away. Our trade with silver-using countries has already been greatly injured. In China, Corea and the Strait Settlement, where at one time Japanese products found a good market and were rapidly expelling foreign goods, Japan is now losing ground and is likely soon to have little footing left. Many of the factories in the western part of Japan are closing or only running on half time."

SEC. 358. The *Greater Japan*, in its review of the year 1897, says:

"We can speak only in gloomy terms of the year just past. Commercial affairs and political affairs reached their lowest depths of depression and mismanagement. The introduction of the gold standard proved a complete failure. It was to have opened the door to an inflow of foreign capital, thus succoring the distress of the industrial classes and producing an appreciation in the price of public securities. But foreign capital has not come in, neither have public securities appreciated. On the contrary, we have seen an ever-increasing preponderance on the side of imports, a corresponding outflow of specie, and a steady fall in the price of bonds. Nor is this all. The effect of the demonetization of silver has been fatal to the most promising of all Japan's industrial enterprises—cotton spinning. Its chief market has been closed against it, and the prosperity that distinguished it at the close of 1896 was replaced by adversity at the end of 1897."

CHILE.

SEC. 359. I quote from "Mexico and the United States" page 587, the following account of the effects of a gold standard on the industrial and financial condition of Chile:

"According to a well-informed financial paper of Chile, 'La Tribuna de Valparaiso,' the adoption of the gold standard in that country, some two years ago, has not given satisfactory results. In point of fact, it is asserted that since the former financial policy was discarded and gold has become the only circulating medium, poverty and a paralyzation of business seems to have fallen to the lot of many districts that heretofore were very flourishing. There is a noticeable scarcity of circulating medium all over the country, public and private securities have depreciated, and the rate of interest which some years ago was 7 or 8 per cent. is now as high as 12 per cent. Furthermore, since the gold standard was introduced, five banks, with an aggregated capital of $3,300,000, have failed, and three, with a capital amounting to $12,300,000, have gone into liquidation. Thus it is said that 25 per cent. of the money invested in banking in that country has been lost, and a similar result has obtained with regard to many mining and industrial enterprises which heretofore had been in a most flourishing condition."

SEC. 360. Only a few years since conditions in Japan and Chile were almost as encouraging as those in Mexico today (see sec. 315) but those countries, influenced by the blandishments of gold standard advocates, forsook the silver standard under which their development and prosperity was attained and undertook to copy after the English gold standard. The result of their experiment is shown in the foregoing paragraphs from their leading financial papers.

SEC. 361. In contrast with the deplorable conditions now existing in Japan and Chile resulting from attempting to establish a gold standard in those countries we find a wave of prosperity sweeping over Mexico, (who still remains loyal to silver), from center to circumference. Not only is her prosperity co-extensive with the republic, but her credit in foreign countries and with foreign investors was never better, in fact never before so good, as at present.

SEC. 362. Upon July 12, 1899, the United States of Mexico offered for sale by subscription, through the banking houses of J. P. Morgan & Co., New York; J. S. Morgan & Co. of London, England, and the Deutsche Bank of Berlin, $110,095,000 of bonds, to be known as the Five Per Cent. Consolidated Loan of 1899, issued for the purpose of taking up all previous loans and to represent the entire external indebtedness of the Government; the principal and interest to be payable in gold, and free of all Mexican taxes, present or future; the bonds to be in coupon form, of the following denominations—$97.00, $485.00, $970.00,$2,425.00, and $4,850.00, United States gold coin, present weight and fineness, interest payable quarterly, upon the first day of January, April, July and October, the entire issue to be retired within forty-five years. The issue was over-subscribed the first day upon which the books were opened.

SEC. 363. An Associated Press dispatch dated City of Mexico, December 2, 1899, published in the Los Angeles *Herald* December 3, 1899, shows that the remarkable prosperity of Mexico is still on the upward grade. I reproduce this dispatch, which is in the following words:

City of Mexico, Dec. 2.—A remarkable and most gratifying statement has been sent to congress by Finance Minister Limantour

and will be received with interest by all bondholders, for it shows the marvelous improved condition of the Mexican treasury, which is now able, so ample are the revenues, to propose to congress a reduction of the federal taxes. The cash revenue for the fiscal year ended June last was $60,022,349, wholly derived from the usual and normal sources, and much in excess of the finance minister's estimate, most conservatively made, while the returns for five months of the present fiscal year show an increase over last year. In view of this prosperous condition of Mexico's revenues, Minister Limantour sends several bills to congress of great importance. Some $4,000,000 are appropriated for public works of prime necessity, including new school houses in the federal district, new postoffice buildings here and at Vera Cruz and other edifices. The Government further proposes to purchase some outstanding silver bonds, bearing 6 per cent interest and will also abolish export taxes on coffee, which will be a boon to the coffee growers. It will, in addition, reduce several internal revenue taxes, notably those on bank checks, life insurance policies and the tax imposed on new companies according to the amount of their capital, and other reforms welcomed by the public.

The Government has now a cash surplus of many millions of dollars, and is amply able to carry out its reforms, as revenues from all sources show a natural and gratifying increase.

SEC. 364. The industrial situation in Mexico to-day is similar to that prevailing in the United States immediately after the close of the Civil War, say from 1865 to 1873. Everybody has money. Property is advancing in value. Business enterprises of all kinds are prosperous. Failures are almost unknown. New industries are being established and old ones developed and enlarged. Mr. Morton of the Mexican National Railroad did not overestimate the condition of things in Mexico when he said: "Mexico is today the most prosperous country in the world all things considered. It is being more rapidly developed, more railroads are being built, more manufactories established, more improvements of all kinds are being made, proportionately, especialy when we take

into consideration the previous condition of its people, than in any other country in the world."

SEC. 365. The principal cause of this wonderful development in our sister republic is the abundance of cheap silver money, just as an abundance of cheap money in the United States from 1865 to 1873 promoted an industrial boom in this country. During that period there was more general prosperity among the people in the United States, a more rapid accumulation of wealth, and a more equitable distribution of the wealth created, than at any other time in the history of this country, and Mexico under similar conditions is enjoying a similar wave of prosperity.

APPENDIX.

"BIMETALLISM"—BY A. J. UTLEY, IN "THE ARENA," JUNE 6, 1896.

SEC. 366. In the discussion of the money question that is now agitating the people throughout the length and breadth of the land, the advocates of gold monometallism insist that we should have money that has "*intrinsic value;*" that the material on which the money stamp is placed should possess an intrinsic value equal to the money value stamped upon it; that gold possesses this property and that silver does not, and for this reason they favor a single gold standard.

SEC. 367. Are the premises true? Has gold intrinsic value? If the premises are not true, if gold has no intrinsic value, then some other reason must be assigned for monometallism.

The word intrinsic means internal, inherent, not apparent or accidental, opposed to extrinsic.

Now the fact is, gold has no intrinsic value whatever. All commodities have certain inherent or intrinsic properties which tend to make the particular commodity more or less desirable, and to the extent that such properties influence the desire for their possession, such inherent properties may enhance their value or ratio of exchange, but value itself is independent of and extrinsic from all commodities.

SEC. 368. If value were intrinsic, if it were inherent in a thing, it could not change or fluctuate. If the value of gold or silver were inherent in the metal, the same quantity of metal of the same degree of fineness would always be of the same value. In 1873, 371¼ grains of pure silver were worth as much in all the markets of the world as 23.2 grains of pure gold. Now they are worth

only about one-half as much. Is it possible that the intrinsic value of one or both of these metals has changed since 1873? Certainly not. The intrinsic properties of gold and silver are the same now as they were in 1873, as they always have been; but their relative values, when uncontrolled by legislation, are subject to great fluctuations.

SEC. 369. Value is a relative term and is necessarily extrinsic. Value is created and controlled by the law of supply and demand. The inherent or intrinsic properties of a thing may be of such a character as to limit the supply and by limiting the supply may enhance the value; or extrinsic circumstances may increase the demand and by so doing enhance the value; but value always and under all circumstances is determined by the law of supply and demand.

SEC. 370. But what say the authorities on this question? Condillac, a celebrated French economist, says:

"The value of a thing is founded on the want of it, or the demand for it. Therefore, if the want is more strongly felt, it gives the thing a greater value; if the want is less felt, it gives it a less value. The value of a thing increases with its scarcity and decreases with its abundance. It may even on account of abundance decrease to nothing. A superfluity, for example, will have no value, if we can make no use of it."

SEC. 371. Professor Gide, another French economist, says:

"Value, then, which is the dominating idea of all political economy, denotes nothing more than a fact which, in itself, is very simple, the fact that a thing is more or less desired. Were the word French, we should only have to say that value is desirability. Since value arises from desire it proceeds from us rather than from things; as we say nowadays, it is subjective far more than objective. It is not attached to objects which can be perceived; it is born at the moment when desire awakes, and vanishes when it dies out. Like a butterfly, desire flutters from thing to thing, and value abides only where desire rests."

SEC. 372. Aristotle defined value as follows:

"Value is not a quality of an object, but an affection of the mind. The sole origin, source, or cause of value is human desire. When there is a demand for things they have value; when the demand increases (the supply remaining the same) the value increases; when the demand decreases the value decreases. When the demand altogether ceases, the value is altogether gone."

SEC. 373. Professor Perry, in his work on Political Economy, says:

"A sudden change in the fashion will frequently take away at a stroke one-half the value of goods that were fashionable but are so no longer. The matter is all there and the form of the matter is all there, but the value is one-half escaped. It is clear that there is no inherent quality called value in anything. Value is the relation of mutual purchase established between two services by their exchange. Value starts in desire, gives birth to efforts, proceeds by estimates, and ends in satisfactions."

SEC. 374. Senator Jones, in his great speech delivered in the United States Senate in October, 1893, said:

"Qualities may be said to be inherent in objects, but value being a conception of the mind cannot be intrinsic or inherent. If value were intrinsic, if it resided in an article, it could not be taken from it, and it could not be changed by changes in the number of objects of which value is asserted, or with modifications in the desires of men to become possessed of such articles. Qualities that are inherent do not vary with the shifting degrees of estimation in which they are held by mankind. Hardness in a stone, gravity in lead, do not suffer either augmentation or diminution by reason of any increase or reduction of the appreciation of men. If value were intrinsic in articles it would remain intrinsic whether people wanted them or not. But things can have no economic properties by and of themselves; those properties exist only because there are people. A thing can have no use unless some one wants to use it; it can have no value unless, in addition to being wanted, some one is willing to incur sacrifice to obtain it."

SEC. 375. Professor Macleod, an eminent English economist, says:

"Value, like distance or equation, requires two objects. We cannot speak of absolute or intrinsic distance or equality. Single objects cannot be distant or equal. If we are told that an object is distant, or equal, we immediately ask—distant from what? or equal to what? So it is equally clear that a single object cannot have value. We must always ask—value in what? And it is clear that as it is absurd to speak of a single object having absolute or intrinsic distance, or having absolute or intrinsic equality, so it is equally absurd to speak of an object having absolute or intrinsic value."

SEC. 376. Barbon, an able writer on economics, who lived about two hundred years ago, said:

"Value is only the price of things; that can never be certain, because to be certain it must at all times and in all places be of the same value; therefore nothing can have intrinsic value. But

things have an intrinsic virtue in themselves, which in all places have the same virtue: as the lodestone to attract iron, and the several qualities which belong to herbs and drugs. But these things though they may have great virtue may be of small value or no price according to the place where they are plenty or scarce. Things have no value in themselves: it is opinion and fashion brings them into use and gives them values."

SEC. 377. The International Cyclopedia, published in Boston in 1894, defines value as follows:

"Value, in political economy, is one of those terms that demand attention more for the clearing away of its application to vague and fallacious uses than for an attempt to give it a strict scientific definition. It has a distinct meaning only when it is used as 'value in exchange' and between things coexisting in time and place. Two articles each of which will bring $25 in Boston are equivalent in value there. Cost has nothing to do with value. If a bale of silk costs $500, and if from disease of the silk-worm the price of the commodity rises so that it will bring $750, that is its value; so also if there be a fall in price so that it will only bring $375, that is its value."

SEC. 378. Professor Jevons, in his work on Political Economy, says:

"A student of economics has no hope of ever being clear and correct in his ideas of the science if he thinks of value as at all a thing or an object or even as anything which lies in a thing or object. Persons are thus led to speak of such a nonentity as intrinsic value. There are doubtless qualities inherent in such a substance as gold or iron which influence its value; but the word value, so far as it can be correctly used, merely expresses the circumstance of its exchanging in a certain ratio for some other substance.

"Value in exchange expresses nothing but a ratio, and the term should not be used in any other sense. To speak simply of the value of an ounce of gold is as absurd as to speak of the ratio of the number seventeen. What is the ratio of the number seventeen? The question admits of no answer, for there must be another number named in order to make a ratio; and the ratio will differ according to the number suggested."

SEC. 379. In a work entitled "Money and Mechanism of Exchange," Professor Jevons says:

"It has been usual to call the value of the metal contained in coin the intrinsic value in the coin; but this use of the word intrinsic is likely to give rise to fallacious notions concerning value, which is never an intrinsic property or existence, but merely a circumstance or external relation."

SEC. 380. There are certain properties in gold that make it desirable for certain uses independent of legislation, but gold derives its chief value from the fact that by virtue of law a certain quantity of it may be coined into a dollar and when so coined the dollar is a legal tender and lawful money. If the demand for it as a money metal is increased (as it would be by the demonetization of silver), its value will be increased; while, on the other hand, if gold should be demonetized its value would almost entirely disappear. The stock of gold now in use as money amounts to something more than $3,500,000,000. There is enough in stock to supply the demand for use in the arts for seventy years. The artisan will not pay much for material that must be kept in stock seventy years before consumption. It is safe to say that if gold should be demonetized, if the fictitious value given it by law should be taken from it, 23.2 grains of gold would not bring ten cents in the markets of the world; that 90 per cent of the present value of gold is fictitious and caused solely by legislation.

SEC. 381. I have devoted considerable space to the discussion of the phrase "intrinsic value," because it has been so long and persistently asserted by the money kings, and especially by the gold monometallists, that gold has "intrinsic value," that it is a "standard of value" and a "measure of value," that many people who have made no special study of economics have been and are deceived, and because no man can understand the true character and function of money until he realizes the fact that there is no intrinsic value in anything. On account of the importance of a correct understanding of the meaning of the word value I was not content with a simple statement of the fact that value is a relative term, and could not be intrinsic or inherent in anything; but I have introduced authorities that prove beyond the possibility of a doubt that there is no intrinsic value in the so-called precious metals, and that, consequently, the plea for gold money on account of its supposed intrinsic value is fallacious.

SEC. 382. It is claimed by the gold standard men that

if we restore to silver its ancient right of free and unlimited coinage the United States would become the dumping-ground of all the cheap silver in the world.

If the United States should restore to silver its ancient right of free and unlimited coinage there would be no cheap silver in the world. The reason why silver is worth less (measured by gold) now than it was in 1873 is because and only because of adverse legislation; and when the laws that discriminate against silver are repealed, silver will resume its ancient place at the ratio existing prior to such adverse legislation.

SEC. 383. Men tell us that you cannot legislate value into a thing nor out of a thing, but that value is controlled by the inexorable law of supply and demand. Now, while it is true that value is controlled by the law of supply and demand, it is also true that anything which tends to increase the demand for a thing (the supply remaining the same) must necessarily enhance its value; and if the legislative demand is for the total supply, and if the legislative demand fixes a price at which the total supply will be received, it necessarily follows that the value of the commodity so fixed cannot fall below the price fixed. It might rise temporarily slightly above the legislative limit, but it could not by any possibility fall below it.

In order, however, to have this effect, the legislative demand must be for the total available supply. The reason why the Bland Bill or the Sherman Act did not restore silver to its ancient place as a money metal, at the ratio previously existing between gold and silver, was because the demand was not for the total available supply; and an act to coin the American product, if such an act should be passed, would fail for the same reason.

SEC. 384. That legislation does influence values is not only self-evident, it is historic. When the Bland Bill was passed in 1878 (which provided for the coinage of not less than $2,000,000 worth of silver per month) it created a demand for silver bullion that did not exist prior to its passage, and by reason of this increased demand, caused solely by legislation, silver rapidly advanced in

value in all the markets of the world. Again, in 1890, on the adoption of the Sherman Act, under the provisions of which the United States became the purchaser of four million five hundred thousand ounces of silver per month silver bullion rose in value in a few days from 94 cents per ounce to $1.20 per ounce, not only in the United States, but also in Europe. And when legislation was adverse to silver in India in 1893, silver fell almost as much in value in twenty-four hours. In view of all these facts can there be any doubt that legislation did, in the instances named, affect the value of silver bullion?

If silver had free and unlimited coinage at the ratio of 16 to 1 in the United States, silver bullion in this country would be worth $1.29 per ounce. No one disputes this proposition; it is self-evident. What would it be worth in London, Paris, or Berlin? If the coinage were free and unlimited in the United States and there were no demand in Europe or Asia for this European bullion, it would be worth the mint price in the United States, less the cost of transportation to the United States; there can be no question about it.

SEC. 385. Professor Jevons, in his "Theory of Political Economy," published in 1879, page 137, says:

"The ratio of equivalent weights of silver and gold, which had never before risen much above 16 to 1, commenced to rise in 1874, and was at one time (July, 1876) as high as 22.5 to 1 in the London markets. Though it has since fallen, the ratio continues to be subject to frequent considerable oscillations. The great production of silver in Nevada may contribute somewhat to this extraordinary result, but the principal cause must be the suspension of the French law of the double standard and the demonetization of silver in Germany, Scandinavia, and elsewhere."

Professor Jevons says the *principal* cause of the divergence in the ratio between gold and silver was the "suspension of the French law of the double standard and the demonetization of silver in Germany, Scandinavia and elsewhere."

I propose to show that the only cause of the divergence between the metals was the adverse silver legislation in the United States and elsewhere, and that the great production of silver in Nevada had nothing to do with it.

SEC. 386. Professor Laughlin, in his work on Political Economy, publishes a chart by which he shows that the value of the world's production of gold from 1493 to 1850 was $3,314,550,000, and the value of the silver produced during the same time was $7,358,450,000, or more than twice as much in value of silver as of gold. From the same chart it appears that the value of gold produced from 1850 to 1885 was $4,425,525,000, and that the value of the silver produced during the same time was $2,397,475,000, only a little more than one-half as much in value of silver as of gold. During the first period named the ratio between gold and silver was much lower than during the second period. If the amount of the production had a controlling influence or any influence over the value of the bullion, the reverse of this would have been true.

SEC. 387. If the legislative demand is for the total available supply of both gold and silver at a certain ratio, it necessarily follows that, while the value of the metals may fluctuate as compared with commodities, the ratio between the metals will remain unchanged. Of course there will be slight fluctuations arising from local causes. While neither of the metals can fall below the coinage value, either of them may temporarily rise above it on account of some local demand. If silver should rise in value the ratio would fall. If gold should rise in value the ratio would rise. But as soon as the local demand was satisfied the former ratio would be restored. If the rise or fall in either of the metals was general, caused by an abundant yield of the mines or from any other reason, so long as free and unlimited coinage was guaranteed to both metals the metal changing in value would carry the other with it.

In proof of the above proposition, I need only cite the facts shown by Professor Jevons, that the value of gold fell 46 per cent. between 1798 and 1809, and that from 1808 to 1849 it appreciated 145 per cent.

In 1798 the commercial ratio between gold and silver was 15.59 to 1, in 1809 it was 15.96 to 1, and in the meantime gold had fallen in value 46 per cent. If gold

had not carried silver down with it, the ratio between gold and silver in 1809 would have been 8.42 to 1. The ratio between gold and silver in 1809 was, as we have seen, 15.96 to 1, in 1849 it was 15.78 to 1, only a trifling fluctuation, but in the meantime gold had appreciated in value 145 per cent. In 1809 15.96 pounds of silver were equal in value to one pound of gold, in 1849 gold had appreciated 145 per cent., and if it had not carried silver up with it, it would have taken, in 1849, 39.68 pounds of silver to buy one pound of gold. But, as a matter of fact, the ratio between gold and silver in 1849 was 15.78, a trifle lower than before the appreciation of gold. Is it not conclusively established from the above facts that a general rise or fall in the value of either of the metals will carry the other with it as long as free and unlimited coinage is guaranteed to both? and is it not necessarily true that the mass of both metals combined would be less liable to serious fluctuation in value than either standing alone would be?

SEC. 388. Is it not also conclusively established from the foregoing facts that legislation can, by creating a demand for the total available supply of an article at a fixed price, prevent the article from falling below the price fixed, and that when the legislative demand is for the total available supply of two metals such as gold and silver, to be used for a common purpose, and a ratio is established at which the total supply will be received, the ratio so fixed between the metals will remain substantially invariable? The metals may rise or fall in value as measured by commodities, but they cannot change in value as measured by each other, except only such slight variations as may be produced by excessive local demands for either of the metals, and such slight variations will be temporary only.

SEC. 389. That legislation may establish and maintain any ratio between gold and silver, so long as they both have free and unlimited coinage, and that the ratio established by the country producing the greatest amount or able to control the greatest amount of bullion of either of the metals will have a controlling influence, is a fact well authenticated by history.

The Encyclopedia Britannica, Vol. 22, page 73, says:

"In Spain, by the edict of Medina (1497), the ratio was 10¾. When America was first plundered the first fruits were gold, not silver; whereupon Spain, in 1546, and before the wealth of the silver mines of Potosi was known, raised the value of gold to 13⅓, and, as Spain then monopolized the supply of the precious metals, the rest of the world was obliged to acquiesce in her valuation. During the following century Portugal obtained such immense quantities of gold from the East Indies, Japan, and Brazil, that the value of her imports of this metal exceeded £3,000,000 a year, whilst those of Spain had dwindled to £500,000 in gold, and had only increased to £2,500,000 in silver. Portugal now governed the ratio, and in 1688 raised the value of gold to 16 times that of silver. Except during a brief period of forty years this ratio has ever since been maintained in Spanish and British America and the United States. A century later the spoils of the Orient were exhausted, the Brazilian placers began to decline, and Portugal lost her importance. Spain thus again got control of the ratio, and, as her colonial produce was chiefly silver, she raised its value in 1775 from one-sixteenth to one-fifteenth and a half that of gold for the Peninsula, permitting it to remain at one-sixteenth in the colonies. France, whose previous ratio (that of 1726) was 14½, adopted the Spanish ratio of 15½ in 1785, and has adhered to it ever since. These three historical ratios, and the bearing of each upon the others, have influenced all legislation on the subject, and, where there was no legislation, have governed the bullion market for more than two centuries."

From the foregoing historical account of the ratio between gold and silver it appears that any nation producing the greatest amount of the precious metals has always been able to control the ratio and fix the relative values of the metals.

SEC. 390. When Spain made her gold discoveries in America and obtained a considerable supply of this metal and anticipated still larger gold discoveries, she became master of the situation and at one stroke of the pen arbitrarily raised the value of gold from 10¾ to 1 to 13⅓ to 1, and "*the rest of the world was obliged to acquiesce in her valuation.*" Why? Because she controlled the supply.

A century afterward, the little kingdom of Portugal, not one-quarter as large as the State of California, and at that time not producing one-tenth of the wealth now produced in California, was able to come to the front and dictate to the world what the ratio should be between gold and silver, simply because at that time she was

producing more gold than any other nation in the world. She exercised her prerogative as the greatest gold producer, and arbitrarily raised the value of gold from 13⅓ to 1 to 16 to 1, *and the rest of the world was obliged to acquiesce in her valuation.*

A century later, the mines theretofore controlled by Portugal having become exhausted, "Portugal lost her importance," and Spain, then being a heavy producer of silver, again got control of the ratio and raised the value of silver, or reduced that of gold, which amounts to the same thing, from 16 to 1 to 15½ to 1, which ratio has remained the European ratio since that time (1775). It also appears from the historical account quoted from the Britannica that the metal of which there was the greatest production was always the one that was increased in value.

From the above and foregoing is it not conclusively shown that the relative value of gold and silver, so long as they have free and unlimited coinage, is not influenced in the slightest degree by the amount of bullion that may be produced of either of the metals? In the instances given by Laughlin when the greatest production was silver, silver was more valuable when measured by gold; and when the greatest production was gold, then gold was more valuable when measured by silver. And in the instances cited in the Britannica it was the metal of which there was the greatest production that was increased in value in every instance. It is the law and not the amount of the production that fixes and maintains the relative value of the metals.

SEC. 391. What are the facts to-day as to the production of silver, and where is it being produced?

The report of the Director of the Mint dated June 24, 1894, shows the world's production of silver for the year 1893, rated at the ratio of 16 to 1, amounted to $208,371,000. Of this amount the United States produced $77,575,700, and Mexico produced $57,375,600. The amount produced in the United States and Mexico was $134,951,300, and all the balance of the world produced $73,419,700. But of this $73,419,700 the South American and

Central American States, all of which are silver-using countries and equally interested with the United States in maintaining the price of silver, produced $25,044,700, and the Dominion of Canada produced $321,400, which makes a total production in America of $160,317,400, and all the balance of the world produced only $48,053,600. The amount actually produced in Europe was $19,155,-100. The amount produced in Great Britain, the country that now assumes the prerogative of fixing the value of the silver bullion of the world, was $327,700. England's production of silver is less than two mills on the dollar of the total production. Instead of being able to dictate the value of silver bullion, she ought not to be consulted at all. She should have no voice in the matter. In fact Europe combined could not, as against the wishes of America, exert much, if any, influence on the value of silver. The amount of her production or of her actual consumption of silver is too trifling to have any material influence on its market value. Europe requires a certain amount of silver bullion annually to keep up her supply of token money, even though she might discontinue its use as money of ultimate or final redemption. The amount now being consumed by her for coinage purposes averages about $32,000,000, annually, to which if you add the amount consumed by her in the arts, it will be found that instead of having silver to sell, she annually consumes more than double the amount of silver that she produces.

It may be a fine thing for Europe to allow her to fix the price of silver bullion, but it is contrary to all precedent, and an outrage on the silver-producing countries. America produces more than three times as much silver as all the balance of the world, and more than ten times as much as the amount produced in Europe.

SEC. 392. The total amount of silver produced in the world, outside of America, is not sufficient to supply the demands of Europe for coinage purposes and for use in the arts. It is not sufficient to supply the demand of India for coinage purposes alone. It would hardly be sufficient to keep the silver gods of China in decent

repair, to say nothing about the necessity of a new one now and then.

SEC. 393. Mexico, and in fact all of the South American and Central American States, are equally interested with us in maintaining the price of silver bullion, and will gladly co-operate with us in any effort we may make to restore silver to its former position and value in the monetary system of the world. It would be an act of imbecility for America, producing as it does more than three-fourths of the silver produced in the world, and more than ten times as much as the European production, to allow Europe to fix the price of our silver bullion. We have no interests in common with Europe on the silver question. We are heavy producers of silver. We have silver to sell. It is to our interest to maintain the price of silver bullion. Europe is a heavy consumer of silver. She does not produce enough to supply her demands. She must enter the market and buy silver, not only for coinage purposes, but for use in the arts. It is to her interest to buy silver at as low a price as possible. We cannot combine with Europe. Let us combine with those who have interests in common with us.

SEC. 394. America commands the supply of silver bullion. The annual consumption of silver for coinage purposes, notwithstanding the suspension of the coinage of silver by the Latin Union, averaged for the years 1891, 1892 and 1893 over $143,000,000, and the consumption in the arts for the same years averaged over $27,000,000 (see report of Director of the Mint for 1894) making a total annual consumption of $170,000,000, only $48,000,000 of which are produced outside of America. After consuming all the silver bullion produced outside of America, the world must buy from us $122,000,000 worth of silver bullion annually for coinage purposes, and they must pay the price fixed by us if we have manhood enough left to fix a price. In fact, the world has been paying at the rate of about $1.29 per ounce for silver bullion ever since 1873, while we have received on an average only about two-thirds that amount

and the speculators of Europe have been pocketing the difference. Is it not about time to dispense with the European middleman and sell direct to the consumer at actual value?

SEC. 395. How about the gold production of the world?

The report of the Director of the Mint shows that the world's production of gold for the year 1893 was $155,521,700, and that the amount produced in the various countries was as follows:

America	$49,050,700
Europe	28,165,100
Asia	13,311,500
Africa	29,305,800
Australasia	35,688,600
Total	$155,521,700

It appears from the above and foregoing that America is not only the greatest producer of silver in the world, but that she is also the greatest producer of gold. Certainly, then, according to precedent, she has the right to fix the ratio between the metals, and when she exercises her prerogative and fixes the ratio *the world will be obliged to acquiesce in her valuation.*

The total output of gold of America, Asia, and Russia, all of which are silver-using countries, is $87,168,400, and the production of the rest of the world is but $68,353,300, and of this amount $29,305,800 is produced in Africa. Nearly all of the African gold is produced in the South African Republic, a pure democracy in Southern Africa. Africa has but little interest in monetary affairs and is never consulted on monetary matters. If the African product is deducted, or not counted on either side, we have the world's annual production, exclusive of Africa, $126,215,900, of which America, Asia and Russia produce $87,168,400, and the balance of the world produces $39,047,500.

SEC. 396. The amount of gold produced in countries now clamoring for a single gold standard is not enough by more than $11,000,000 to supply the demand for gold for use in the arts, even after counting in Australasia, with

the gold monometallists. All the gold produced in these countries and $11,000,000 worth of that produced in silver-using countries would be consumed in the arts before a single dollar's worth would be available for coinage purposes.

The amount of gold produced in Europe, exclusive of Russia—and Russia is not clamoring for gold, Russia is a silver standard country today — is only $3,358,900, or a trifle more than two per cent of the total output. The greatest objection to silver comes from England. England's bitter fight against silver dates from 1816, and from that time until the present she has constantly opposed its use as money. How much gold does she produce? In 1893 she produced the enormous sum of $42,300, less than three-tenths of one mill on the dollar of the world's production for that year. To allow a country virtually producing no gold or silver to dictate to the bullion-producing countries what the ratio between the metals shall be, or to have any influence whatever in fixing the ratio, or to be even consulted in any manner, is an outrage on the intelligence of the rest of the world.

SEC. 397. But it may be claimed that Great Britain should be credited with the gold produced in her colonies and dependencies. If this was done let us see how the account would stand.

Gold produced in Great Britain	$ 42,300
" " " Australasia	35,688,600
" " " Dominion of Canada	927,200
" " " British India	3,813,600
" " " British Guiana	2,567,400
	$43,039,100

But of the gold produced in Australasia $32,059,354 was coined into money in the Australian Mint (see report of Director of the Mint), consequently that amount of the Australian bullion could not have been exported to England; therefore this amount must be deducted, which leaves $10,979,746 as the total supply that the mother country could by any possibility have received from her colonies.

SEC. 398. It may, however, be claimed that England should have credit for at least a part of the African output. Undoubtedly a portion of the gold mined in Africa is taken out by English operators, but I have no means of ascertaining what proportion. The gold mines of Africa are common plunder for the entire world. Every nationality has its representatives in Africa digging for gold; and as nine-tenths of the world today are using silver as full legal tender money, all of whom are interested in maintaining the value of silver, I take it for granted that the nine-tenths can get away with as much African gold bullion as the other one-tenth, consequently I leave the African output entirely out of the case. If, however, Great Britain controlled all of it she would still have less than the American output. If she controlled all the African gold she would still have less than the demand for consumption in the arts, to say nothing about controlling the coinage ratio of the world.

SEC. 399. If in 1546 Spain, simply because she was the greatest producer of gold, was able to arbitrarily establish and maintain for one hundred years the ratio between gold and silver, and then Portugal, because she had become the greatest producer of gold, was able to arbitrarily raise its value as compared with silver and maintain her ratio for another hundred years, and if Spain, then having become again the greatest producer of the precious metals, but now, silver being the metal of which there was the greatest production, by her arbitrary edict was able to raise the value of silver as measured by gold, and the rest of the world was obliged to acquiesce in these several valuations so fixed first by Spain, then by Portugal, and afterward by Spain again, simply because at the time the several ratios were fixed these nations were the greatest producers of gold or silver, what is to prevent the United States with her immense commerce, and annually producing, as she does, hundreds of millions of dollars' worth of the absolute necessaries of life that Europe needs and must have and can procure nowhere else, and controlling as she does a monopoly of both gold and silver, what is to prevent her

from establishing and maintaining any ratio between the metals that she sees fit to establish? Nothing but the ignorance, stupidity, cowardice, or rascality of the members of our National Legislature.

SEC. 400. Is there any danger of our getting too much silver money in the United States? The report of the Director of the Mint published in 1893 shows that the total amount of silver coin now in existence is $4,042,700,000. If we had all of it, it would make a per capita circulation of about $58 for our present population, and that is not too much money for the business interests of this country. France has nearly that sum per capita, and France is now the most prosperous country in the world.

SEC. 401. In 1865 and 1866 we had in the United States, including the seven-thirty notes and the various other issues that were by law a legal tender and lawful money, a greater per capita circulation than all the silver in the world would give us now; and it must be conceded that we then had the most prosperous times this country ever experienced. Even Hugh McCulloch admitted that at that time "the people were prosperous and comparatively free from debt."

SEC. 402. But it is insisted by the gold standard men that silver is too bulky and heavy to be used as money, that the silver we now have will not circulate, and that the Government has impoverished itself already in building vaults in which to store it.

So far as its circulation as money is concerned we now have a law allowing any person who has ten or more silver dollars to deposit them with the Treasurer or any Assistant Treasurer of the United States and receive silver certificates therefor; and the only reason so much silver is now on deposit is because the people prefer the certificates. Every silver dollar now on deposit in the United States Treasury is discharging the money function by its paper representative. Silver certificates could be advantageously used in the United States for every dollar of silver in existence in the world.

All the coined silver in the world could be put into a

single room sixty-six feet square and sixty-six feet high. It would not take a very large vault to hold all of it; and all this talk about impoverishing the Government to build vaults to hold our silver is the veriest nonsense.

SEC. 403. But what is the probability of our getting all the silver in the world or any considerable portion of it?

About one-half of the silver in the world is in India and China. India and China are silver-using countries. They do not use gold as money. China and India now are, and for many years have been, heavy consumers of silver. In order to obtain the amount of silver required by them they have established a ratio of 15 to 1. Every ounce of silver they have cost them $1.37. This certainly is not cheap silver. Not a dollar's worth of this silver could be brought to the United States without a loss of at least seven per cent. to the shipper, besides the cost of transportation. No one supposes, and even the gold standard men do not claim, that any silver would come to this country from Asia.

SEC. 404. The total amount of silver in Europe is $1,484,000;000, all of which is coined into money, none of it at a higher ratio than 15½ to 1, and most of it at a much lower ratio. None of the European silver is cheap silver, and none of it could be shipped to this country without a loss of at least three per cent. to the shipper besides cost of transportation. None of it can be spared from the circulating medium of the several nations where it is now being used as money.

Not only can none of the stock now on hand be spared, but the demand in Europe is for more silver. In 1893 the amount of silver coined in Europe was over $34,000,-000. And the amount coined for the years 1891-2-3 averaged over $32,000,000 annually. (See Report of Director of the Mint for 1894.) Europe has no silver to spare. The United States, under free and unlimited coinage, instead of importing silver, would continue in the future as she has been in the past, a large exporter of silver bullion.

SEC. 405. It is insisted by the gold standnrd advocates that the free coinage of silver would drive gold out

of the country. Of course no person can know that such would be the result, he can only guess that such a thing might happen. These same men told us that the compulsory coinage of silver under the Bland Act would drive all the gold out of the country, but it did not do so. The report of the Director of the Mint shows that in 1878, when the Bland Act became a law, there was but $213,000,000 in gold in the United States, and that from that time until 1893 there was coined in the United States from $2,000,000 to $4,000,000 of silver every month, and that in 1893 we had $646,000,000 in gold in the United States. Instead of driving out the gold there was a constant stream of gold flowing into the country. They were certainly false prophets in 1878, and we have no evidence that they have received any special inspiration since that time. There is not a particle of danger of silver driving gold out of the country. Foreign demand for gold may cause its exportation, but silver will not drive it out of the country.

SEC. 406. The report of the Director of the Mint for the year ending June 30, 1894, on page 57, shows that the world's production of silver for the years 1891, 1892, and 1893 amounted to $583,464,000, rated at the ratio of 16 to 1. The same report shows (page 54) that the annual consumption of silver for use in the arts is $27,554,280. This will give a total consumption in the arts for three years of $82,662,840. On page 270 the same report shows that the silver coinage of the world for the same time was $430,169,558. If these figures are correct—and without doubt they are substantially true—there was a surplus left over each year, on an average, of $23,547,200 worth of silver bullion.

SEC. 407. The loss of silver from abrasion and from other causes is enormous. The Director of the Mint published a tabulated statement in 1893, from which it appears that the world's production of silver from 1492 to 1893, a period of four hundred years, was $9,726,072,000, and that the total amount of silver money in actual existence in 1893 was $4,042,700,000, less than one-half the amount produced.

With such a ratio of loss, I think any fair-minded man will concede that the $23,547,200 yearly surplus will not be more than sufficient to make up the loss from abrasion and accident to the stock of coin now in existence.

SEC. 408. Is there enough gold to furnish the people with the necessary circulating medium? Turning again to the Report of the Director of the Mint for 1894, we find (on page 57) that the world's production of gold for the years 1891-2-3 amounted to $432,470,000, or an average annual production of $144,118,666. On page 53 of the same report it is shown that the annual consumption of gold in the arts is $50,177,300. This leaves for coinage purposes $93,941,366.

If gold is to be the money of the world, we shall find, by dividing the amount of gold available for coinage purposes by the population of the world, that it would give us an annual increase in the circulating medium of six cents *per capita*, providing none of the stock on hand was lost or destroyed.

But the advocates of the gold standard insist that it is not fair to divide the available supply by the total population of the world, because they say a large proportion of the people of the world do not use gold as money. Very well, suppose only one-fourth of the people use gold as money; then the annual *per capita* increase in circulalation, provided none of the stock on hand be lost or destroyed in any manner, would be twenty-four cents. But would there not be some loss from abrasion and accidents? The Director of the Mint, in tables heretofore referred to, published in 1893, shows that the world's production of gold since 1492 amounts to $8,204,303,000, and that the total supply of gold money in existence Aug. 16, 1893, was $3,582,605,000. This shows a tremendous loss of gold, particularly when we take into consideration the fact that more than two-thirds of the eight billion dollars' worth of gold was produced within the last hundred years. There can be no question but that with a single gold standard there must be a constantly diminishing volume of money.

SEC. 409. None of the nations of Europe are benefited by the demonetization of silver except England, and all of them, with the exception of England, would follow the United States in its remonetization.

England is the great creditor nation of the world; her imports are largely in excess of her exports; she is therefore interested in having dear money and cheap commodities. If commodities are cheap and money dear but little money will be required to settle her balances of trade; and if money is dear, that is, if its purchasing power is great, the amount received as fixed charges on the interest-bearing obligations she holds against other nations and the people of other nationalities will be much more valuable, and will go farther in paying for such commodities as she must obtain from abroad than it would with a large volume of money in circulation.

Again, England, or English capitalists, who control the financial policy of England, are making large sums of money annually in buying silver bullion at much less than its coinage value from the American producer and exchanging it in India and other silver-using countries at its full coinage value for wheat, cotton, and other commodities for import into England. England will not agree to international bimetallism. It is not necessary to have her co-operation in order to maintain bimetallism.

SEC. 410. Bimetallism has existed since the first dawn of civilization; England, however, as long ago as in the first half of the eighteenth century favored monometallism. Desiring dear money and cheap commodities, she exerted all the influence she possesses in favor of the discontinuance of the use of one of the metals; and believing that silver would be the most abundant and that it was a plebeian money, the money of the common people, she sought to discredit it. Dutot in 1739, Dessortous in 1790, and Lord Liverpool in 1808, as the champions of the aristocracy and money lords of England, urged upon Parliament the propriety of monometallism. Finally, in 1816, silver was demonetized. Notwithstanding the fact, however, of the demonetization of silver by England, bimetallism was still maintained, all the mints

of the world, except those of England, were still open to the free and unlimited coinage of silver, and silver did not depreciate a single point in value as compared with gold. England could accomplish nothing alone. Although she did all that she could do to discredit silver, silver remained on a parity with gold always at a ratio below 16 to 1, even in the London market, at all times between 1816 and 1873. It was not until after the demonetization of silver by the United States, the greatest silver-producing country in the world, that silver began to decline value as measured by gold.

SEC. 411. A peculiar combination of circumstances favored England in her war against silver in 1872-3. Germany, elated by her victory over France, adopted the single gold standard under the impression that the $1,000,000,000 gold indemnity extorted from France would place her upon a solid financial basis and make her a creditor nation. She obtained her gold standard, but instead of becoming a creditor nation she has so impoverished and degraded the great mass of her people as to imperil the very existence of the empire. Germany sees her mistake and would today be glad of any reasonable pretext to return to bimetallism.

SEC. 412. France has not demonetized silver, but only temporarily closed her mints to free coinage. The action of Germany and France, two great commercial nations, induced several of the smaller nations of Europe to discontinue the further coinage of silver, not because they did not like silver money, but to prevent Germany, who had a large stock of silver, from exchanging, after having demonetized it, her silver for their stock of gold.

In the United States in 1873 our currency was paper money. Gold and silver were not used as a medium of exchange. In 1873 an act was passed by Congress entitled "An Act revising and amending the laws relative to the Mint, assay offices and coinage of the United States."

SEC. 413. It is charged that this act, which struck the silver dollar from the list of coins, was corruptly passed through both Houses of Congress. Whether British gold was used to corrupt certain members of Congress, is not,

and probably never will be positively known. But certain it is that not to exceed half a dozen members of Congress knew at the time that the silver dollar had been dropped from the list of coins, and they said nothing about it in public. Certain it is that President Grant when he signed the act did not know that the dollar was omitted. Certain it is that the press of the country, which was represented in both Houses of Congress by their special reporters, knew nothing about it. Certain it is that the people had never petitioned Congress for any such legislation, and did not know that there had been any such until nearly two years after the passage of the act.

The act demonetizing silver in the United States was the most important and far-reaching in its consequences of any act ever passed by Congress, and yet no paper published anywhere in the United States at or near the time of its passage contains any reference to it whatever.

Had the United States at that time been using gold and silver as a medium of exchange, it would not have been possible to pass such an act without close scrutiny by the members of Congress and by the press of the country; but no metallic money was in circulation, and an act to revise the laws of the Mint was at that time not considered of much importance; and with the assurance of the chairman of the committee having the bill in charge that the act under consideration was simply an act revising the laws relative to the Mint and assay offices, etc., it passed without careful inspection. Such a combination of circumstances is not likely to occur in the United States again, and certainly no act to revise the Mint laws of the United States will ever again pass Congress without careful scrutiny.

SEC. 414. It is claimed that free coinage of silver would stimulate production to such an extent that we should soon have too much money, that everybody would rush to the mines, and that in a short time we should be flooded with money. It is quite probable that with the price of commodities as they now are — wheat fifty cents per bushel, cotton five cents per pound, and other things in proportion — many people would desert the

farm and ranch for the mine, for the reason that they could realize more from their labor as miners than they could from raising commodities.

But it should be borne in mind that the value of money is regulated by the amount of money in circulation, and that as the volume of money was increased, its purchasing power would be correspondingly decreased; that as the purchasing power of money was reduced, commodities would increase in valne, and a point would soon be reached where the individual could realize more from his labor in producing commodities than he could by mining silver. As soon as that point was reached the great mass of miners would desert the mine for the farm, and the further increase of money would cease.

If coinage were free and unlimited, and extended to both metals, the system would become self-regulating. When the interest of the people demanded more money, more bullion would be produced; when the demand for noney was satisfied, the energies of the people would be employed in producing commodities. The only thing that could possibly interfere with this automatic regulation would be the exhaustion of the gold and silver mines, or the discovery of immense deposits of the so-called precious metals in excess of the demand for money—neither of which events is likely to occur. But should either of these things happen, it would only be necessary to limit the coinage, or use some other commodity as the bearer of the money stamp, as the representative of the money function. It is not necessary, however, to cross this bridge until we get to it.

If there is a large volume of money in circulation it will find its way into the hands of the people and it cannot be so easily cornered by trusts, syndicates, and combines; but if the volume of money is small, in proportion to the demand, it can be cornered by the money king. If the volume of money is small, its purchasing power is great and commodities cheap, and the creditor class, the men with fixed incomes and large capital, can manipulate the money and control the destinies of the people.

SEC. 415. There are thousands of men in moderate circumstances, men who today are producing commodities which they must sell on the market for less than the cost of production, men whose every interest would be promoted by bimetallism, that are shouting themselves hoarse for a single gold standard, simply because such a standard is demanded by their party leaders. These men are honest and unselfish, but they are blinded by partisan prejudice. But how about the honesty of the leaders, the men who are informed, who know the consequences that must result from the destruction of one-half of the money in existence? These men are not honest; but instigated by selfishness or by hope of party supremacy, in utter disregard of the misery, poverty, and absolute serfdom and slavery that must be entailed on the great mass of the people, they have entered into the most gigantic and fiendish conspiracy ever conceived by man to enrich themselves and enslave the world.

While the money-using people have more than doubled within the last half-century, and the demand for money has been more than quadrupled by reason of the immense advance in productive industry, these men propose to destroy one-half of the money in existence and prevent the people from making any more.

SEC. 416. If a single gold standard is adopted, the annual production of gold will not be sufficient to supply the demand for use in the arts and keep the old stock good. If the single gold standard can be forced upon South America and Asia, gold must inevitably appreciate to at least four times its present value, commodities must decline to one-fourth of the present price, and not a dollar for all time to come can be added to the circulating medium, but on the contrary there must be a constantly diminishing volume of money.

This is the contest. If the money kings can force gold monometallism upon the world they will succeed in establishing the most gigantic moneyed aristocracy among the rich, and the worst system of peonage, serfdom and slavery among the masses that has ever cursed the human race.

APPENDIX II.

PRICES—HOW CONTROLLED.

SEC. 417. Sauerbeck's Index Numbers, universally recognized sa substantially correct, show that taking the general average of prices for 1867-77 as a basis of calculation and the numeral 100 as representing the average prices of 1867-77 that the general trend of prices since 1873 has been downward. In 1880 there was a slight rally in prices, and also in 1888, but in both instances they soon fell to a lower level than before. The general trend has been downward and in 1896 prices had fallen to 61 as compared with the index number of 100—a loss of 39 points.—In 1897 another rally in prices set in and up to and including September, 1899 (the latest accessible report) had rearched a level of 70, thus regaining 9 of the 39 points lost since 1867-77. (For explanation of Sauerbeck's Numbers see Sections 193 to 198 this volume.)

SEC. 418. A rise in the general level of prices may be caused either by an increase in the volume of money as compared with the commodities to be exchanged for money, in which case all things will rise in price, or it may be caused by war, short crops, legislation, speculation, trust combinations, and other causes, in which case the price of some things will rise while others remain stationary or may even decline. But the rise in price in the commodities coming under the special influence of such subsidiary causes may be so great that when distributed over the whole list of commodities considered, as is done in Index Numbers, will show a general rise.

SEC. 419. Del Mar in his "Science of Money," second edition, page 197, in showing the causes that may produce a rise in the level of prices, says:

"Besides those changes in the general level of prices which arise from changes in the whole sum of money, there is a subsidiary and partial movement of prices—a change in the price of certain things, not of all things—which arises from war, legislation, speculation, foreign commerce, fashion, the chances of mining discovery, good and bad harvests, the progress of mechanical invention, 'overproduction' and other causes.

"These influences directly affect value, whilst money only affects price; these influences whether separately or combined, may only affect the value of some things, they cannot affect that of all; whilst money cannot affect any without affecting every one. With the fluctuations of value occasioned by the various causes set forth, the Science of Money has no concern; they belong to the counting-house."

SEC. 420. A rise in the general level of prices resulting from a gradual and constant increase in the volume of money relatively to the demand for money is always beneficial. As Professor MacCulloch has said: "It loosens the country as nothing else could from the old bonds of debt and habit. It throws increased rewards before all who are making and acquiring wealth somewhat at the expense of those who are enjoying acquired wealth. It excites the active and and skillful of the community to new exertions, and is to some extent, like a discharge from his debts is to the bankrupt long struggling against his burdens." On the other hand a rise in the general level of prices produced by causes other than an increase in the volume of money, although it may for the time being stimulate business, especially in the production of the commodities that have risen in price, and may, in certain cases, cause a rise in the wage of the men employed in those special industries, it must in the end be detrimental to the great mass of the people. It enriches the few at the expense of the many. As a rule the things that the wealth producers are obliged to purchase have risen in value while the things they have to sell have remained stationary or have fallen in value.

SEC. 421. An examination of the price list will show that not all prices have risen, but the prices of some things only, and that the commodities that have risen in price almost without exception are those that are controlled by trusts or those for which an unusual demand has been created by war, short crops or legislation; and

that things not so controlled, or influenced, have remained stationary or have fallen in value. There is no economic reason why wire nails, window-glass, printing paper, and hundreds of other articles controlled by trusts, should have risen in price 100 per cent., and some of them even 200 per cent., and why farming land and the products of the farm have remained stationary or have fallen in price. The present rise in price has no economic significance, and, instead of being a blessing, will tend to widen the gulf between the moneyed aristocracy and the wealth-producers. I quote from the Los Angeles Daily *Herald* of December 11, 1899, the following:

"If you do not think the trusts are getting in their work, just read this statement of E. H. Crosby, a leading merchant of Topeka, Kansas:

"'In August I bought 'Blackstone,' a brand of muslin, for 4¾ cents a yard. In September I paid 5⅜ cents for the same goods. Lonsdale cambric bought in August for 5½ cents and in September for 7½ cents. Woolens have advanced fully 10 per cent., and lace curtains 25 per cent., while table cloths and linoleums have advanced 15 per cent. Furniture is going clear out of sight, and this applies specially to iron beds. All kinds of carpets, except Brussels, have gone up in price. It is all foolishness to pretend that this increase in price is due to an increased demand. The combinations among the manufacturers are the potent factors.'"

SEC. 422. That the rise in the general level of prices that has taken place since 1896 has not been occasioned by an increase in the volume of money becomes apparent from an examination of official statistics.

The money in the world on the first of January, 1896, is reported by the Director of the Mint in his annual, 1896, report, page 46, at $4,143,700,000 in gold, $4,236,-900,000 in silver, and $2,558,000,000 in uncovered paper money. This gives us a total at that date of $10,938,-600,000, of which $8,380,600,000 was metallic money.

The report of the Director of the Mint for 1898, page 48, claims that on the first of January, 1898, the world's volume of money consisted of $4,594,900,000 in gold, $3,977,500,000 in silver, and $2,322,800,000 in uncovered paper money. This shows a total on January 1, 1898, of $10,895,200,000, of which $8,572,400,000 was metallic money. This estimate of the Treasury Department shows a gain of $191,800,000 in metallic money, and a loss of $235,200,000 in uncovered paper money, or a net loss in two years of $43,400,000.

SEC. 423. The gold and silver bullion that has been or that will be produced in 1898 and 1899, of course is not known, but the most extravagant estimates do not place it above $500,000,000 worth annually or $1,000,000,000 for the two years. The amount of this bullion that has been coined or that will be coined into money probably will be about the same per cent. of the production that was coined in the years 1896 and 1897. The production in 1896 and 1897 was $894,360,300 (see report of Director of the Mint, 1898, page 59). It appears from the statistics already quoted that after supplying the demand for the arts and manufactures and making good the loss from abrasion and casualty to the coins in stock, that there was but $191,800,000 worth left to add to the stock of money, or 21 per cent. of the total production. Assuming that the production of 1898 and 1899 will amount to $1,000,000,000 and that 21 per cent. of it will be added to the volume of money, such addition would increase the metallic money to $8,782,400,000 by the first of January, 1900. Assuming also that no further contraction will be made in the paper money, the world's stock of money January 1, 1900, will amount to $11,105,200,000, an increase of $166,600,000 in four years, or an average annual increase of $41,650,000. Such an increase in the volume of money instead of promoting a rise in the general level of prices would not begin to keep pace with the increasing demand for money. The development of trade and expansion of business require, in order to maintain prices, not $40,000,000 annual addition but $400,000,000 annual addition to the world's volume of money.

SEC. 424. If not an ounce of the gold and silver now being produced from the mines and placers of the world was consumed in the arts and manufactures and all of it should be coined into money, it would be hardly sufficient to keep pace with the increasing demand for money and maintain prices at the present level. The money kings do not propose to permit an increase in the volume of money. They do not want rising prices but falling ones. They are not content with the consumption of 75 or 80 per cent. of the precious metals for other than monetary

purposes. They demand that silver, now constituting about one-half of the metallic money of the world shall no longer be admitted to the mints of the world on terms of equality with gold and that all silver coin now in use shall be regarded as token money only and that it shall be redeemed in gold. But even this is not all. They demand that the $2,332,800,000 of uncovered paper money now outstanding, amounting to more than one-fifth of the world's volume of money, shall be called in and cancelled, and that the prerogative of issuing and controlling paper money shall be surrendered to them.

SEC. 425. We have already seen (see Chapter XIII.) that the establishment of the gold standard in England resulted in doubling the value of the bonds, mortgages and other evidences of indebtedness held by the wealthy classes, in robbing the debtor and wealth producing classes, in contracting the wealth of the kingdom in the hands of a small per cent of the people, and in the bankruptcy and ruin of 130,000 out of 160,000 of the small land-owners in England. Notwithstanding these well known facts we have in the United States a large number of would-be English-imitators who are now attempting to fasten a similar financial policy on this country. This class is composed largely of wealthy and influential men. They own the trusts and combines, they control the banking interests, they dictate the policy of most of the great newspapers of the country, they are attempting to influence the pulpit, and they are making a desperate effort to control the republican party, and do, in fact, control most of its great leaders. Many of the rank and file, however, of that party have not yet surrendered their manhood at the dictation of the money power. Hundereds of thousands of silver republicans deserted the party in 1896, and it is to be hoped that hundreds of thousands will, now that the policy of the party is made clearly manifest, desert it in 1900.

SEC. 426. I quote an editorial of the Emporia *Daily Republican* of May 23, 1899, that proves that not all the men who voted the ticket in 1896 can be counted for the gold standard in 1900. The editorial is in the following words:

"THE GOLD STANDARD—Trusts are the legitimate offspring of the gold standard. If you would get rid of the effect you must remove the cause. Trusts have been formed, are being formed and will be formed. Nothing will stop them but a change in the financial policy of the country. All the small industries of the land are being closed out. Competition is being destroyed, men are being thrown out of employment in the shop, factory and on the road. The country is rapidly becoming impoverished, wealth is concentrating in the hands of the few, interior cities are struck with the dry-rot and there is no hope for the people under a gold standard money policy. It is the parent of trusts. It is a money policy which paralyzes industry and drives the larger fish to eat up the smaller ones. The gold standard is commercial cannibalism. It is serfdom for the masses. It is a head wind against all transportation lines. It is the undermining rat of our republican institutions. Don't stop to argue the question with jugglers of figures, but vote to down it in the party if you can, out of it if you must. Country first, party next. As we said in yesterday's Daily Republican, referring to the wealth of the Rockefellers, Vanderbilts, Goulds, Astors and others, "if there is anything that shows the incapacity of the people for self-government it is a system of legislation under which the accumulation of such vast sums, by individuals, is possible." Interior banks, under the national banking system, have felt and will feel more perceptibly than ever before, the gradual squeeze of the gold standard, the concentrating power of which tends to centralize all business, all industries and all commerce in three or four cities located on the larger bodies of water—one on the Atlantic, one on the Pacific, one on the lakes and one on the Gulf—to the utter destruction of life and prosperity in the interior. These larger cities will in turn waste away because they will eventually have no country to back them. The gold standard is the road to ruin. Expansion or anti-expansion, is an incidental question. Every patriotic citizen, who loves his country more than his party, should vote in the interest of humanity, to save the United States from the disastrous consequences of the gold standard money policy, which is now sought to be permanently fastened upon this country for the purpose of bringing our people under European conditions."

SEC. 427. While it is true that the adoption of the gold standard in England made scores of millionaires in Great Britain and would make hundreds perhaps thousands of millionaires in this country it is also true that it made hundreds of thousands of paupers there and would make millions of them here. That a gold standard has never been a good thing for the people, or satisfactory to the people even in England is an admitted fact. It is simply a system by which the rich can rob the poor under protection of the law. Sir Guilford Molesworth, a

distinguished English economist, in an address delivered before the 1892 International Monetary Conference, pointed out the defects in the system; a part of this address is quoted in Sec. 148, this volume, which see.

SEC. 428. A gold standard in the United States would be infinitely worse and more unsatisfactory than it is for England. Some of the reasons why it is not at all suited to the conditions of things existing in the United States are given by Del Mar in his recent publication entitled "Barbara Villiers or a History of Monetary Crimes," page 47, from which I quote the following:

"Our foreign commerce does not consist, as does that of England, in the profitable function of buying, selling and carrying for the rest of the world; but chiefly in buying, for our own cousumption, classes of merchandise which could probably be better produced at home, and in selling our grain, cotton and tobacco crops at half price. England has 320 millions of vassals laboring for her in India and Burmah, she has 40 millions elsewhere, she has many millions of negroes in Africa who are virtually slaves, she has 15 million tons of merchant shipping, a navy equal to that of any three other powers, and coaling ports in every sea and clime. *Unless we propose to reduce our own working class to the wages and condition of the Indian ryot, the African slave, or the British pauper*, we cannot compete with an industry that is built upon such a stupendous mass of iniquity, or which has attained such gigantic dimensions. And if both economical considerations and merciful feelings warn us to avoid a field in which there is neither honor nor profit for us,

we should be prepared to renounce the British monetary system which is fitted alone for that field. *Its basis is robbery of the weak and barter with the strong; its means are a monetary system entirely subjected to the bankers and foreign merchants of London; its aim is the elevation of this sordid and cynical class to the ownership and government of the earth. We Americans want no more of it! We demand that the Government shall resume the control of money. We demand that silver shall be coined on precisely the same terms as gold, whatever those may be, and that both metals shall be subject to Governmental seigniorage; we demand that the ratio of value in the coins of these metals shall be as it was before and is yet—16 for 1 of weight; we want no international treaties nor entanglements on the subject of money. In short, we demand that the monetary crimes of 1866, 1868, 1870 and 1873 shall be undone and the authors of the latter proclaimed and exposed to the execrations of an outraged people!"*

THE END

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